AVG SUPERMARKET TRANSACTION $17.14
AVG SHOPPER VISITS STORES 2-3 TIMES/WEEK
OPTIMUM SKU'S SMKTS 180 (60%)

1983		1990	
150 BRANDS	96.5%	294	98.5%

IF FAVORITE BRAND CANNOT BE PURCHASED 71% WILL GO ELSEWHERE

4.4% OF TOTAL ACV - NAT AVG
14.1% ~~[illegible]~~ AVG MARGIN

51842 7538

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

51842 7539

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

CIGARETTE

INDUSTRY

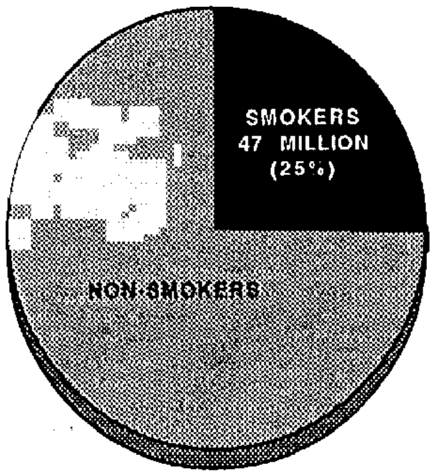
OVERVIEW

51842 7540

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

SMOKING INCIDENCE

PERCENT OF TOTAL U.S. POPULATION



SMOKER INCIDENCE

AGE	1985	1991
TOTAL 18-24	26.9%	23.3%
TOTAL 25-34	32.5	29.5
TOTAL 35-49	33.9	28.9
TOTAL 50+	23.7	19.9
SEX		
TOTAL MALE	31.2	27.4
TOTAL FEMALE	26.7	23.0

- THE NUMBER OF AMERICANS WHO SMOKE CONTINUES TO DECLINE, WHILE THE AVERAGE DAILY CONSUMPTION RATE REMAINS STABLE AT ABOUT 30 CIGARETTES PER DAY.
- THERE ARE CURRENTLY APPROXIMATELY 47 MILLION CIGARETTE SMOKERS IN THE U.S., DOWN FROM NEARLY 53 MILLION IN 1989.
- THE PERCENTAGE OF AMERICANS WHO SMOKE DECLINED FROM 29% IN 1985 TO 25% IN 1991.
- SMOKING INCIDENCE IS HIGHEST AMONG 25-34 YEAR-OLDS.

SOURCE: RJR MARKETING RESEARCH

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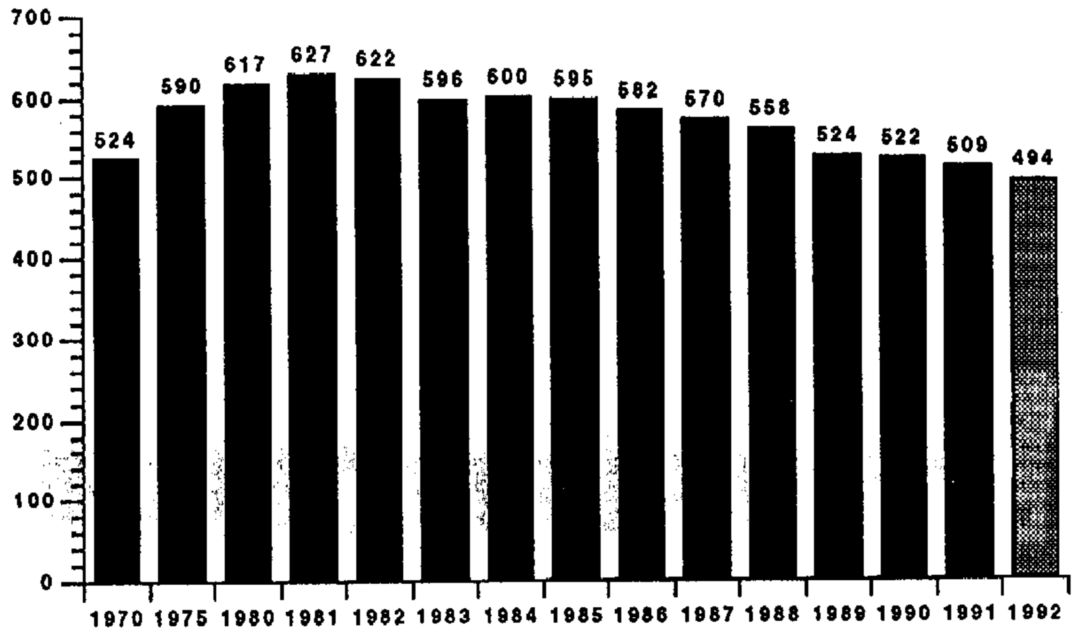
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. CIGARETTE INDUSTRY VOLUME
Billions of Cigarettes



HISTORY

- VOLUME PEAKED IN 1981
- 1982: FEDERAL EXCISE TAX INCREASE
- 1984: RECOVERY FROM 1982 FEDERAL EXCISE TAX INCREASE
- 1986 - 1988: 2% DECLINE ANNUALLY
- 1989: LOSS OVERSTATED (RJR's ELIMINATION OF TRADE LOAD)
- 1990: LOSS UNDERSTATED (RJR's ELIMINATION OF TRADE LOAD IN 1989)
- 1991: FEDERAL EXCISE TAX INCREASE

OUTLOOK

- INDUSTRY WILL REMAIN BIG BUSINESS
- 2% - 3% DECLINE SHOULD CONTINUE
- STATE AND LOCAL TAX COULD INFLUENCE VOLUME

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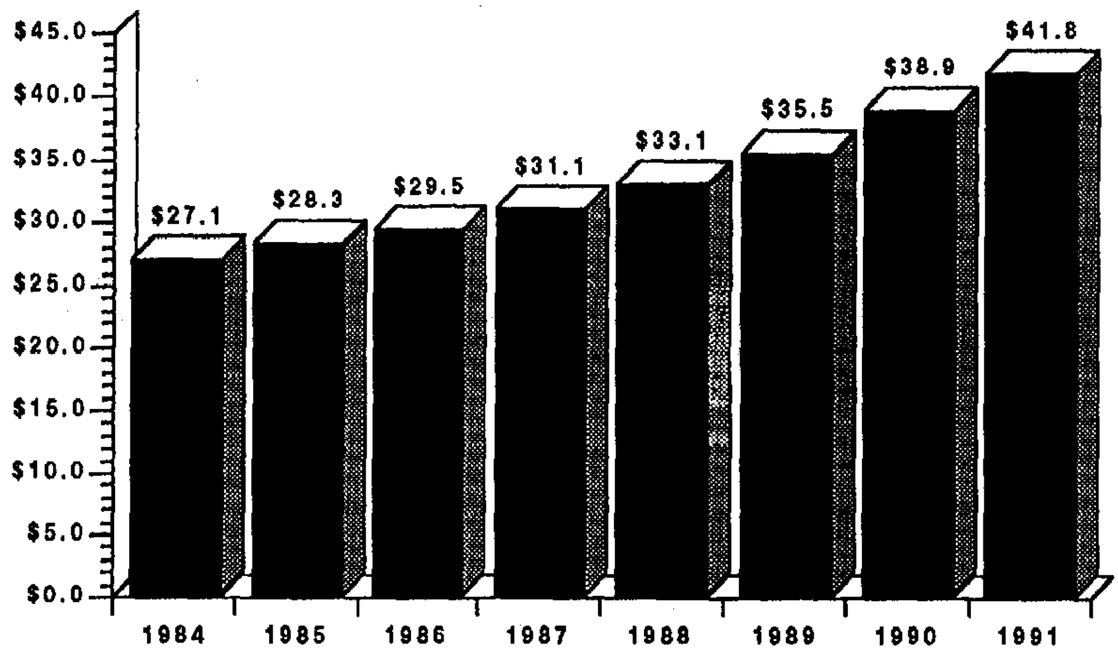
CIGARETTE RETAIL DOLLAR SALES
(Billions of Dollars)



- **TOTAL ESTIMATED RETAIL DOLLAR SALES FOR THE INDUSTRY REACHED $41.8 BILLION IN 1991, UP 7.5% Versus 1990 SALES.**

SOURCE: RJR MARKETING RESEARCH

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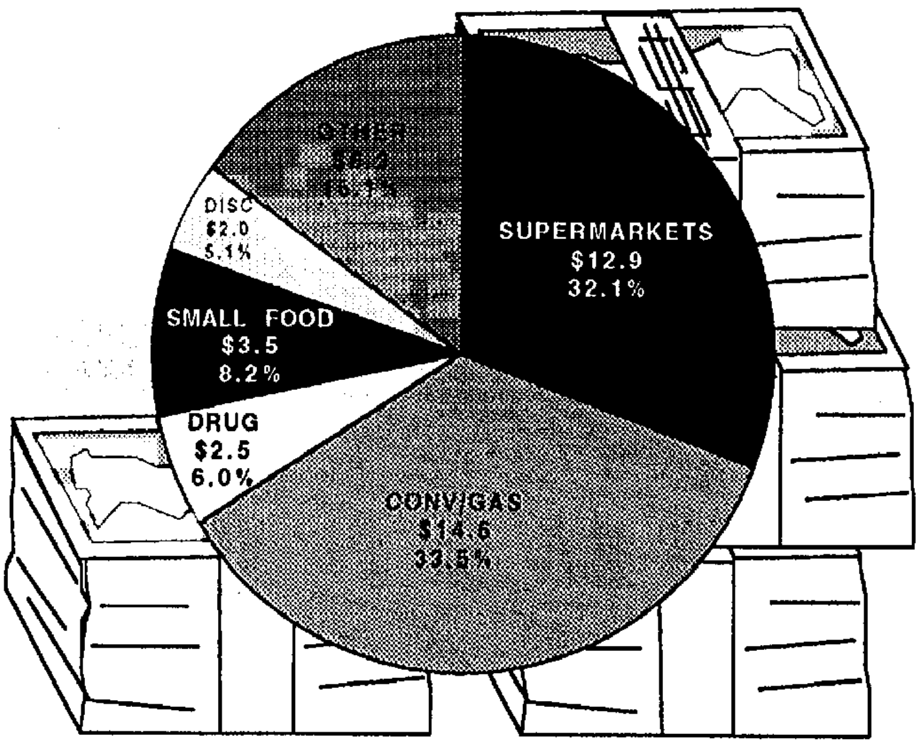
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

1991 CIGARETTE RETAIL DOLLAR SALES
(Billions of Dollars)



- CIGARETTES PRODUCE **<u>BIG</u>** SALES DOLLARS FOR EACH RETAIL SEGMENT.

SOURCE: RJR MARKETING RESEARCH

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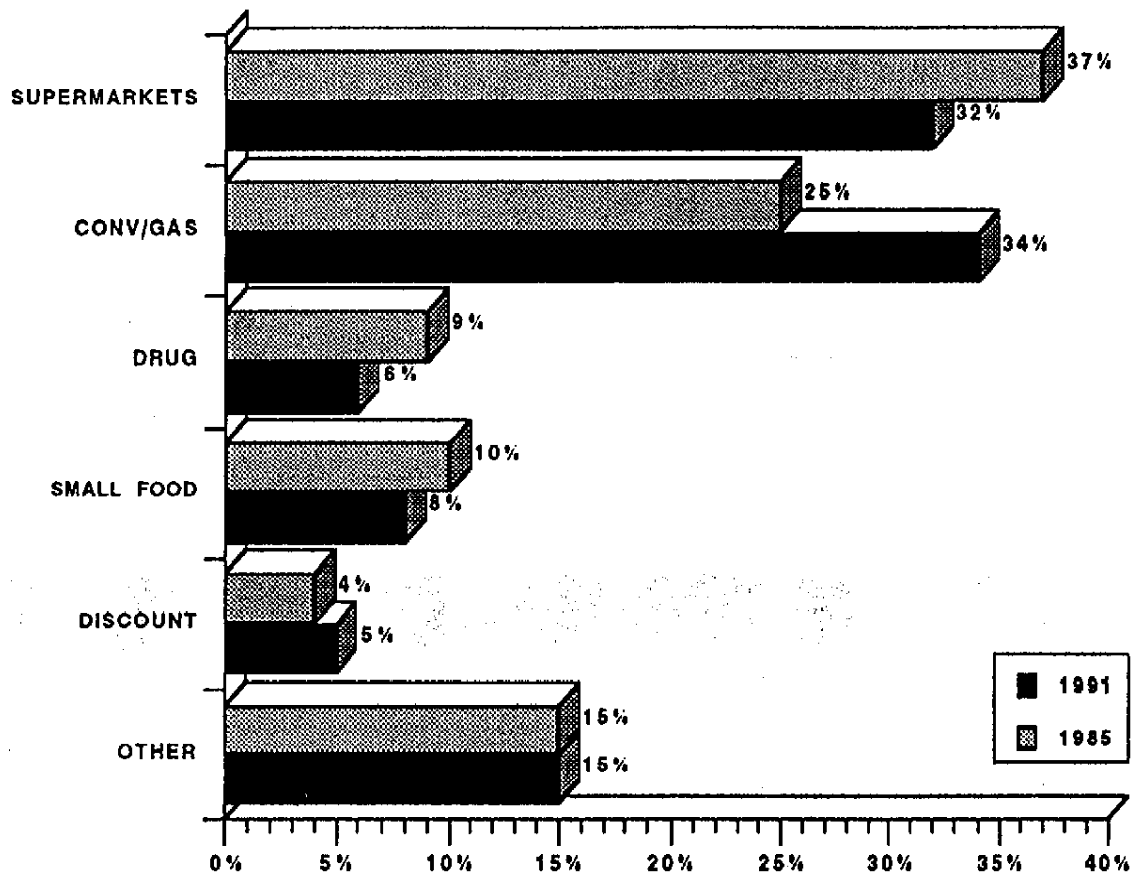
"WHERE CONSUMERS PURCHASE"
PERCENT CIGARETTE UNIT VOLUME BY RETAIL SEGMENT



- CONSUMERS PURCHASE CIGARETTES AT DIFFERENT LOCATIONS
- SUPERMARKETS' SHARE CONTINUES TO DECLINE.
- CONVENIENCE/GAS STORES NOW ACCOUNT FOR THE LARGEST PORTION OF INDUSTRY VOLUME DUE TO AGGRESSIVE PRICING, PACKAGE PROMOTIONS, AND THE GROWING NUMBER OF OUTLETS.
- DRUG STORES CONTINUE THEIR LONG TERM SHARE DECLINE.

SOURCE: RJR MARKETING RESEARCH

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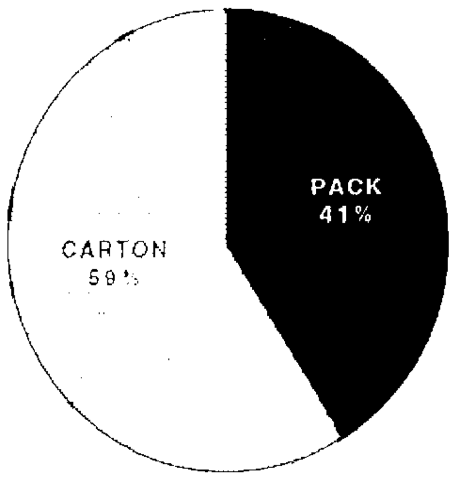
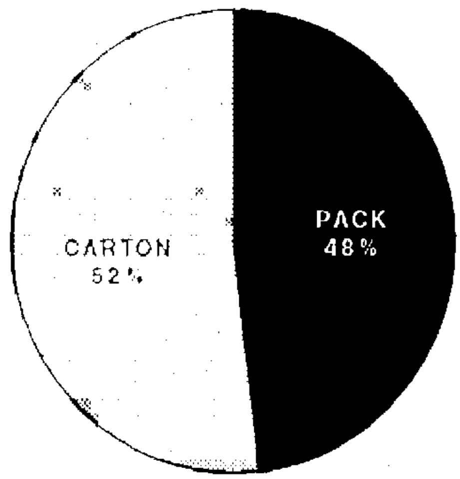
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

"HOW CONSUMERS PURCHASE"
PACK/CARTON RATIO

1985



1991



1985

	PACK	CARTON
SMKTS	20	80
CONV/GAS	68	32
DRUG	31	69
SMALL FOOD	54	46
DISCOUNT	16	84

1991

	PACK	CARTON
SMKTS	27	73
CONV/GAS	75	25
DRUG	38	62
SMALL FOOD	57	43
DISCOUNT	12	88

- MORE SMOKERS ARE PURCHASING BY SINGLE PACK AND MULTIPLE PACKS AS CIGARETTES INCREASE IN PRICE.

SOURCE: RJR MARKETING RESEARCH

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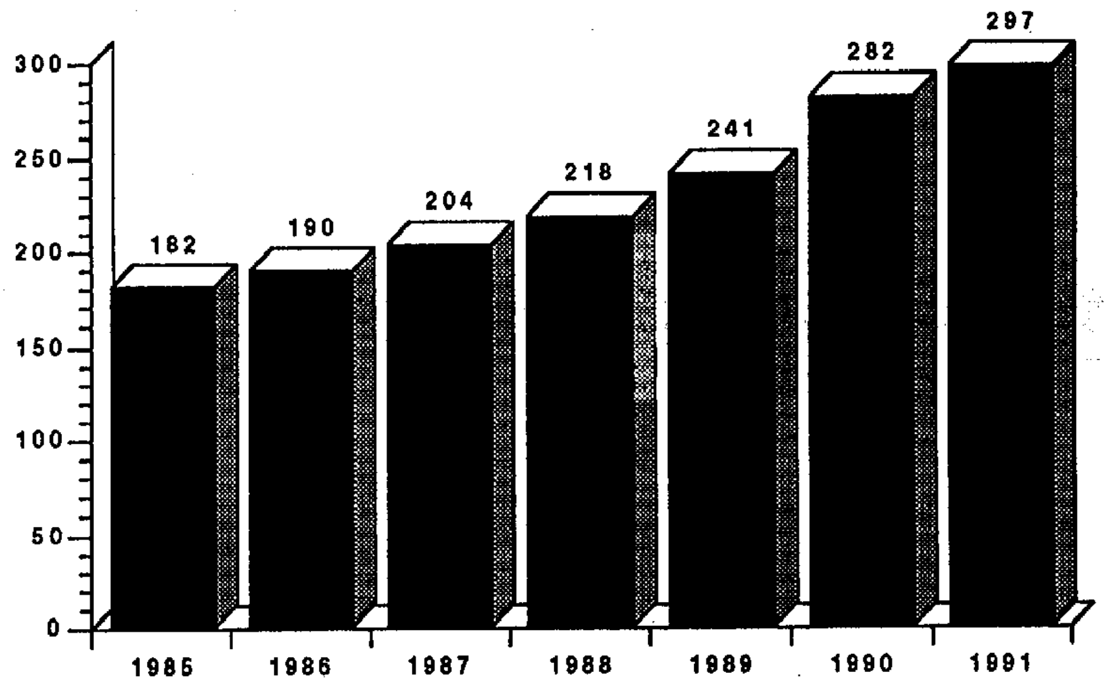
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

CUSTOMER SATISFACTION
NUMBER OF BRANDS TO SATISFY 98% OF CONSUMERS



- **<u>BRAND SATISFACTION - KEY TO SATISFYING CUSTOMERS</u>**
- IT CURRENTLY TAKES 297 BRANDS TO SATISFY 98% OF CONSUMER'S PREFERENCES Versus 182 BRANDS IN 1985.

SOURCE: MSA

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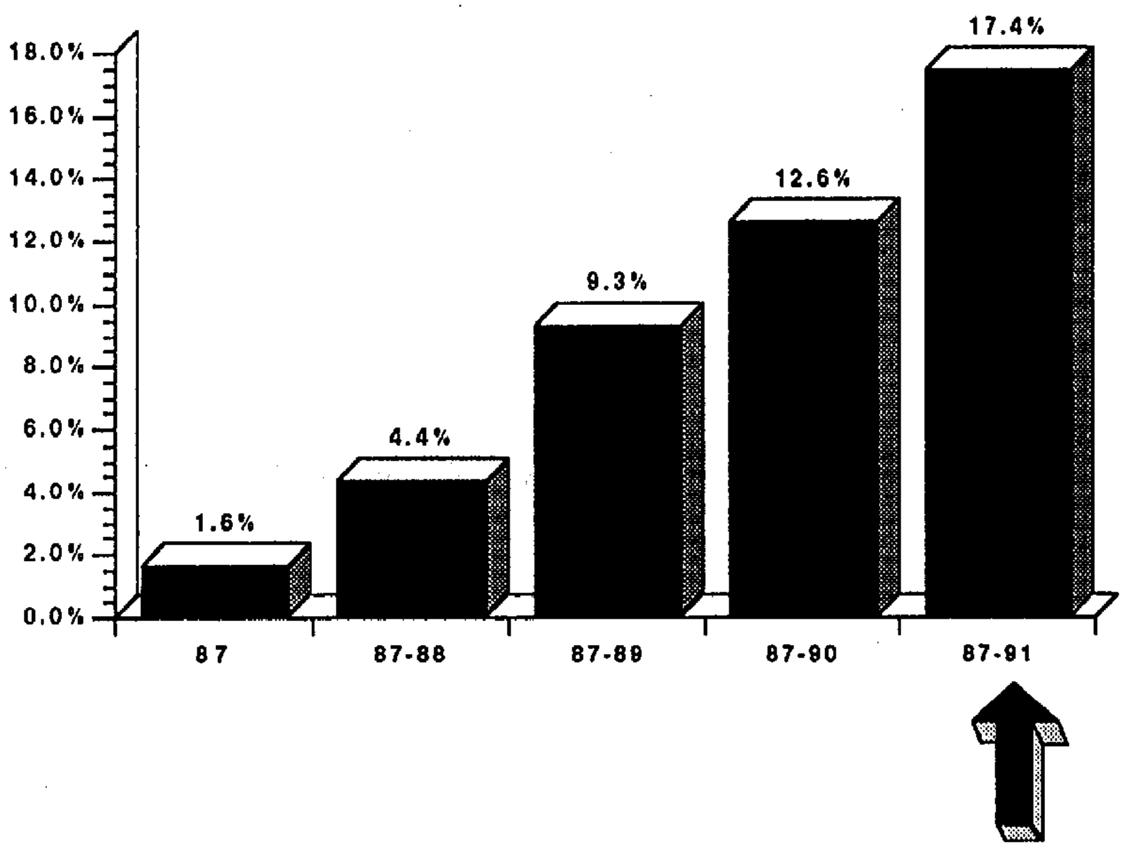
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

BRAND EXPANSION
NEW BRANDS LAST 5 YEARS
SHARE OF MARKET



• NEW BRANDS CONTINUE TO ACCOUNT FOR AN INCREASING SHARE OF CIGARETTE SALES.

SOURCE: MSA

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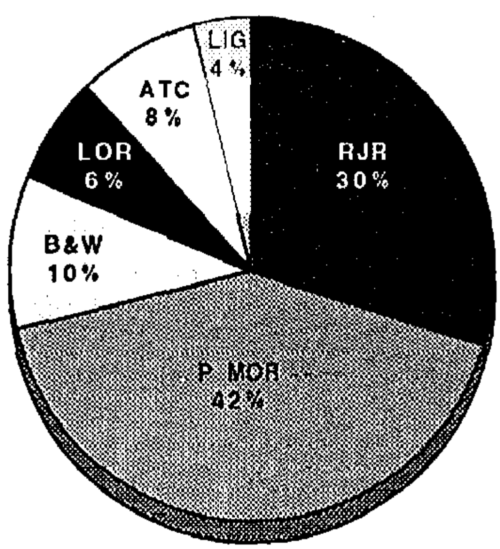
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S.
SHARE OF MARKET BY COMPANY

	TOTAL FOOD/GAS	SUPERMARKETS	SMALL FOOD	CONV/GAS
R.J. REYNOLDS	30%	32%	28%	28%
P. MORRIS	42	38	44	48
B&W	10	9	12	10
LORILLARD	6	7	6	6
AMERICAN	8	8	7	6
LIGGETT	4	5	3	2

TOTAL FOOD/GAS



R.J. REYNOLDS AND PHILIP MORRIS DOMINATE CIGARETTE SALES IN ALL RETAIL SEGMENTS.

SOURCE: A.C. NIELSEN - 1991

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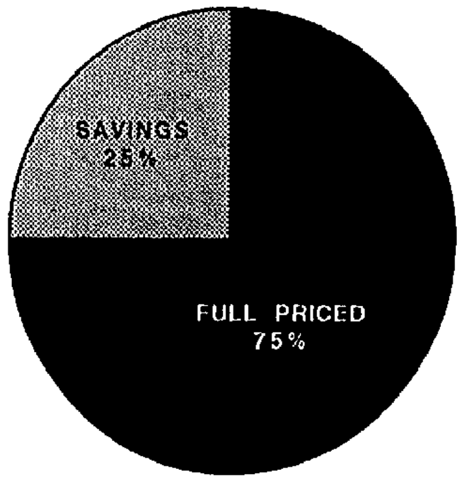
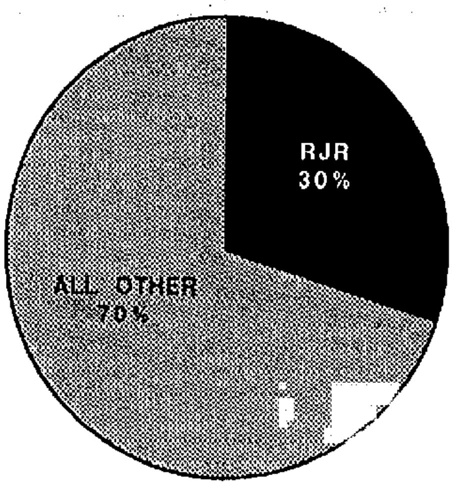
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S.
FULL PRICED Versus SAVINGS

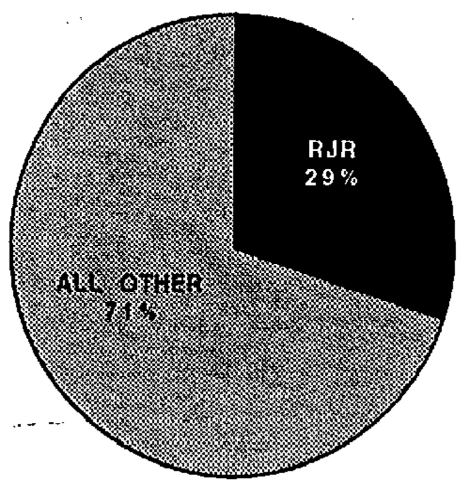
SHARE OF MARKET



SHARE OF FULL PRICED



SHARE OF SAVINGS



- 75% OF ALL CIGARETTES SOLD ARE FULL PRICED BRANDS AND 30% OF THOSE ARE RJR BRANDS.
- 25% OF ALL CIGARETTES SOLD ARE SAVINGS BRANDS AND 29% OF THOSE ARE RJR BRANDS.

SOURCE: A.C. NIELSEN FOOD/GAS - 1991

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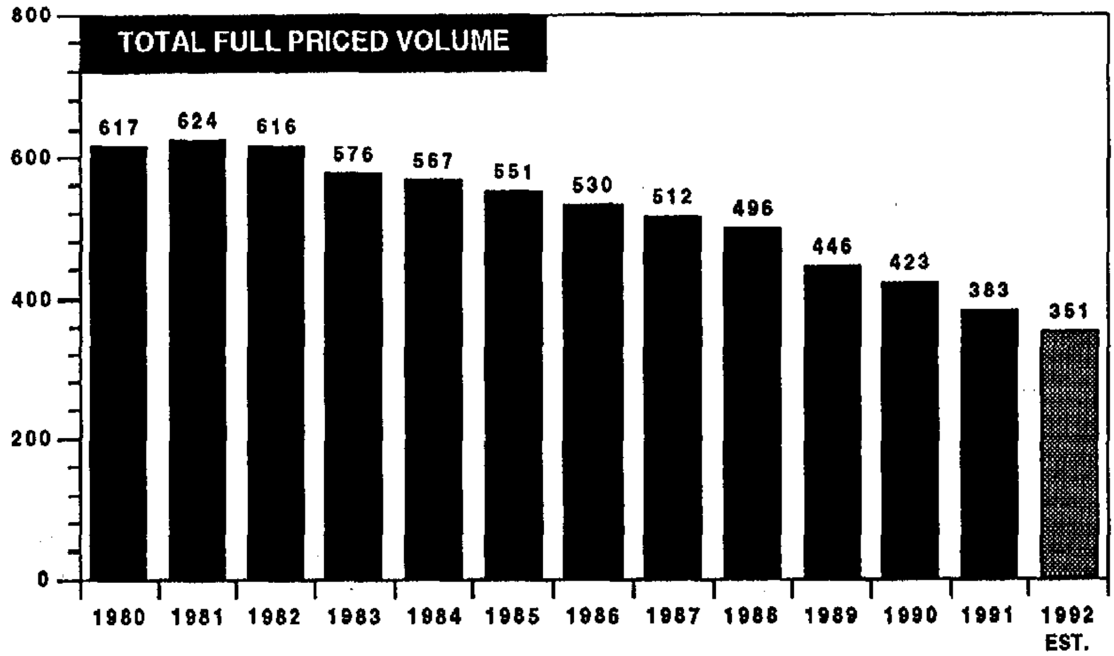
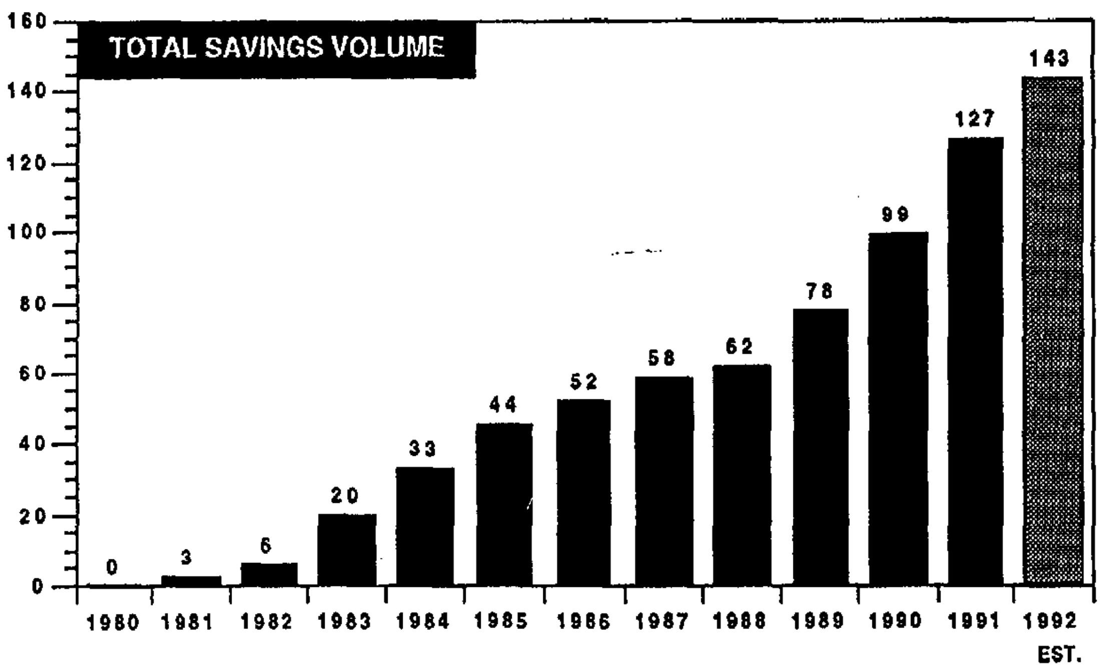
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. - FULL PRICED & SAVINGS VOLUME
Billions of Cigarettes





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Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

CONCLUSION

MATURE INDUSTRY . . . MODEST DECLINES

- REMAINS "BIG" BUSINESS = $$$
- TWO COMPANIES DOMINATE
- VOLUME SHIFTING BY CLASS OF TRADE
- PACKAGE PURCHASING GROWING
- CATEGORY DRIVEN BY PRICE AND PROMOTION

CIGARETTE CATEGORY . . . HIGHLY PROFITABLE

OPPORTUNITIES TO GROW CATEGORY WITH NEW CUSTOMERS . . .
SECURE INDUSTRY SALES FROM OTHER CLASSES OF TRADE . . .
CREATE MORE PACK SALES

RJR PRODUCTS . . . WELL POSITIONED

BETTER BALANCE OF SHARE . . . WELL POSITIONED IN ALL CATEGORIES Versus COMPETITION

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Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

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SUPERMARKET

FACTS

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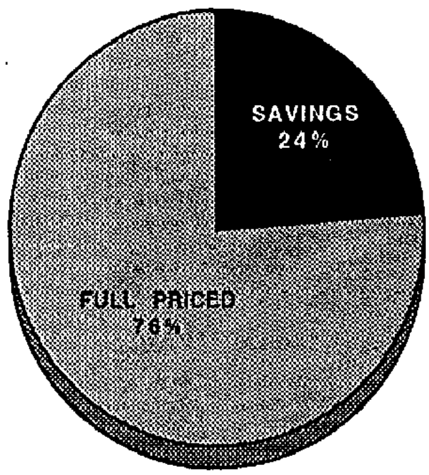
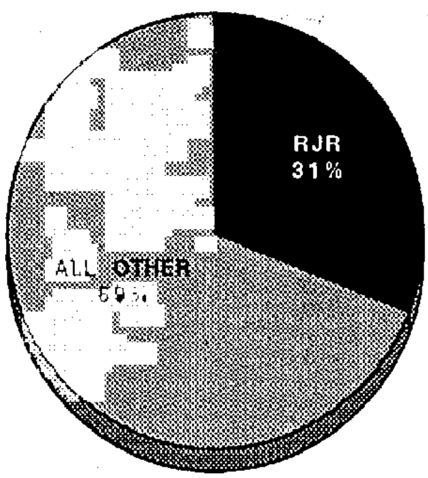
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. SUPERMARKETS
FULL PRICED Versus SAVINGS

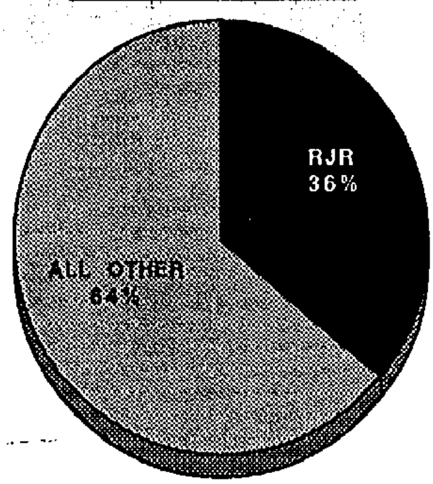
SHARE OF MARKET



SHARE OF FULL PRICED



SHARE OF SAVINGS



- 76% OF ALL CIGARETTES SOLD ARE FULL PRICED BRANDS AND 31% OF THOSE ARE RJR BRANDS.
- 24% OF ALL CIGARETTES SOLD ARE SAVINGS BRANDS AND 36% OF THOSE ARE RJR BRANDS.

SOURCE: A.C. NIELSEN - 1991

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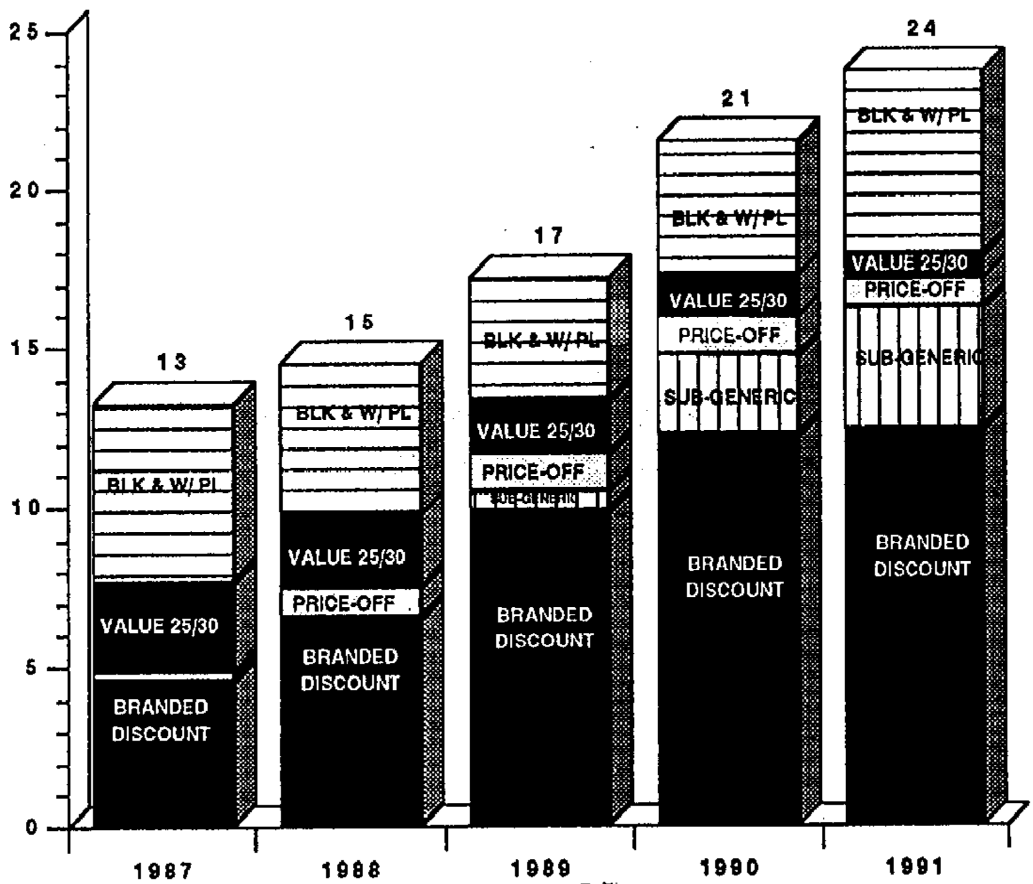
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. SUPERMARKETS
SAVINGS BRANDS SHARE OF MARKET TRENDS



- THE SAVINGS CATEGORY CONTINUES TO GROW AND NOW ACCOUNTS FOR ABOUT 24% OF THE CIGARETTE BUSINESS IN SUPERMARKETS.

SOURCE: A.C. NIELSEN - 1991

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Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. SUPERMARKET - TOP 20 BRAND FAMILIES

	RANK 1991	RANK 1990	RANK DIFFERENCE
MARLBORO	1	1	
WINSTON	2	2	
SALEM	3	3	
DORAL	4	4	
MERIT	5	6	+1
B & H	6	5	-1
CAMEL	7	8	+1
VIRGINIA SLIMS	8	7	-1
KOOL	9	9	
CAMBRIDGE	10	12	+2
LIG BW/PL	11	13	+2
VANTAGE	12	10	-2
KENT	13	11	-2
CARLTON	14	15	+1
NEWPORT	15	16	+1
PALL MALL	16	14	-2
RJR BW/PL	17	21	+4
NOW	18	17	-1
VICEROY (GEN)	19	20	+1
MORE	20	18	-2

RJR HAS MORE BRANDS (8) IN THE TOP 20 THAN ANY OTHER COMPANY.

SOURCE: A.C. NIELSEN

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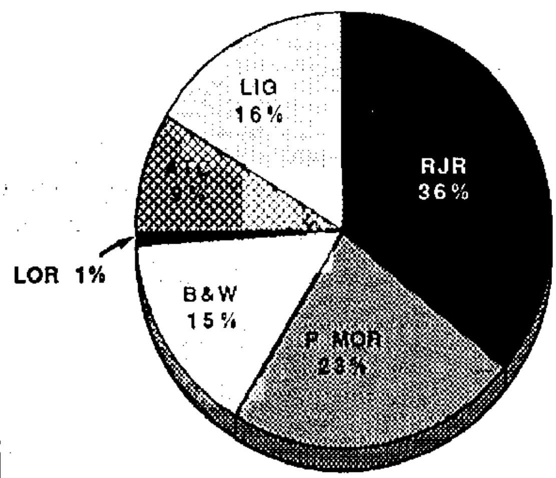
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. SUPERMARKETS
SAVINGS BRANDS

TOP RANKED SAVINGS BRANDS

RANK	BRAND FAMILY	SHARE OF MARKET
1	DORAL	5.6%
2	CAMBRIDGE	3.3
3	LIG BW/PL	3.0
4	RJR BW/PL	1.6
5	VICEROY (GEN)	1.3
6	B&W BW/PL	.9
7	PYRAMID	.8
8	MONTCLAIR (GEN)	.7
9	ALPINE (GEN)	.7
10	BRISTOL	.6

COMPANY SHARE OF SAVINGS BRANDS



• DORAL IS THE #1 SAVINGS BRAND AND IT'S SHARE IS GROWING IN SUPERMARKETS.

SOURCE: A.C. NIELSEN - 1991

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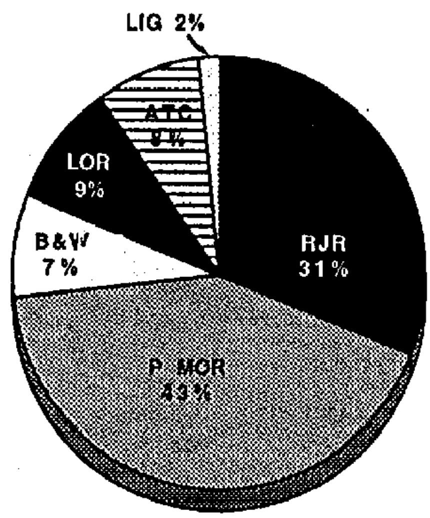
TOTAL U.S. SUPERMARKETS
FULL PRICED BRANDS

TOP RANKED FULL PRICED BRANDS

RANK	BRAND FAMILY	SHARE OF MARKET
1	MARLBORO	20.4%
2	WINSTON	8.1
3	SALEM	6.1
4	MERIT	3.9
5	B & H	3.8
6	CAMEL	3.8
7	VIRGINIA SLIMS	3.8
8	KOOL	3.5
9	VANTAGE	2.9
10	KENT	2.5
11	CARLTON	2.4
12	NEWPORT	2.4
13	PALL MALL	2.1
14	NOW	1.6
15	MORE	1.2

COMPANY SHARE OF FULL PRICED BRANDS



• RJR HAS 6 OF THE TOP 15 FULL PRICED BRANDS

SOURCE: A.C. NIELSEN • 1991

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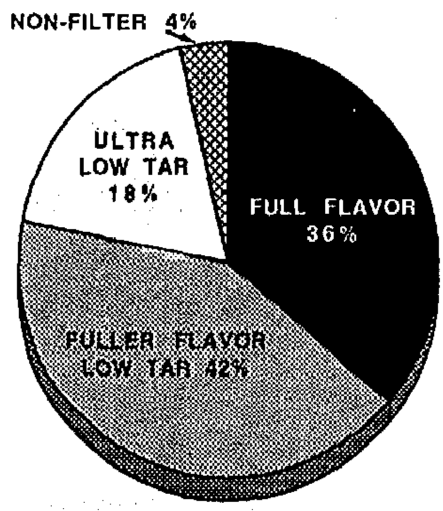
TOTAL U.S. SUPERMARKETS
MAJOR CIGARETTE CATEGORIES SHARE OF MARKET

FLAVOR



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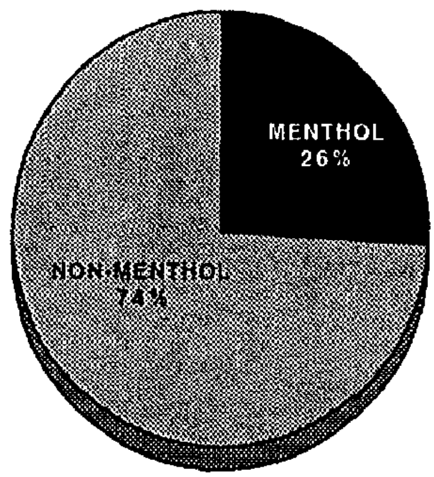

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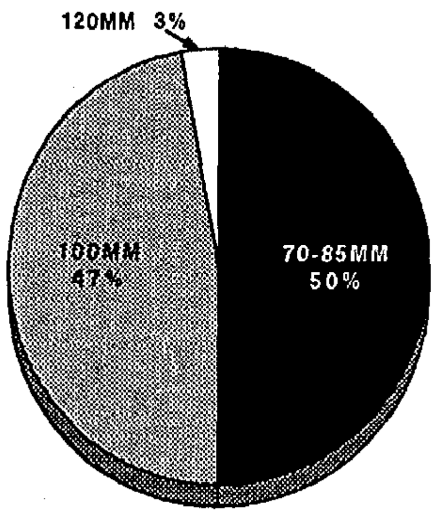
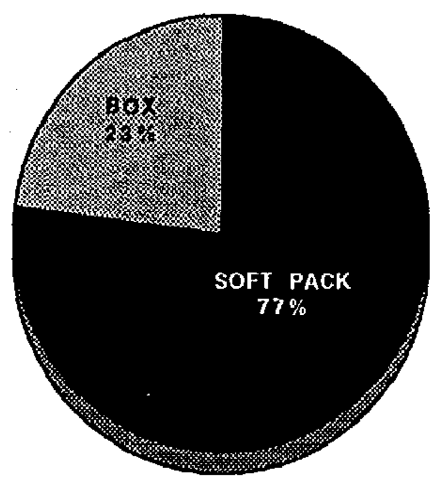


PACKAGING



SOURCE: A.C. NIELSEN - 1991

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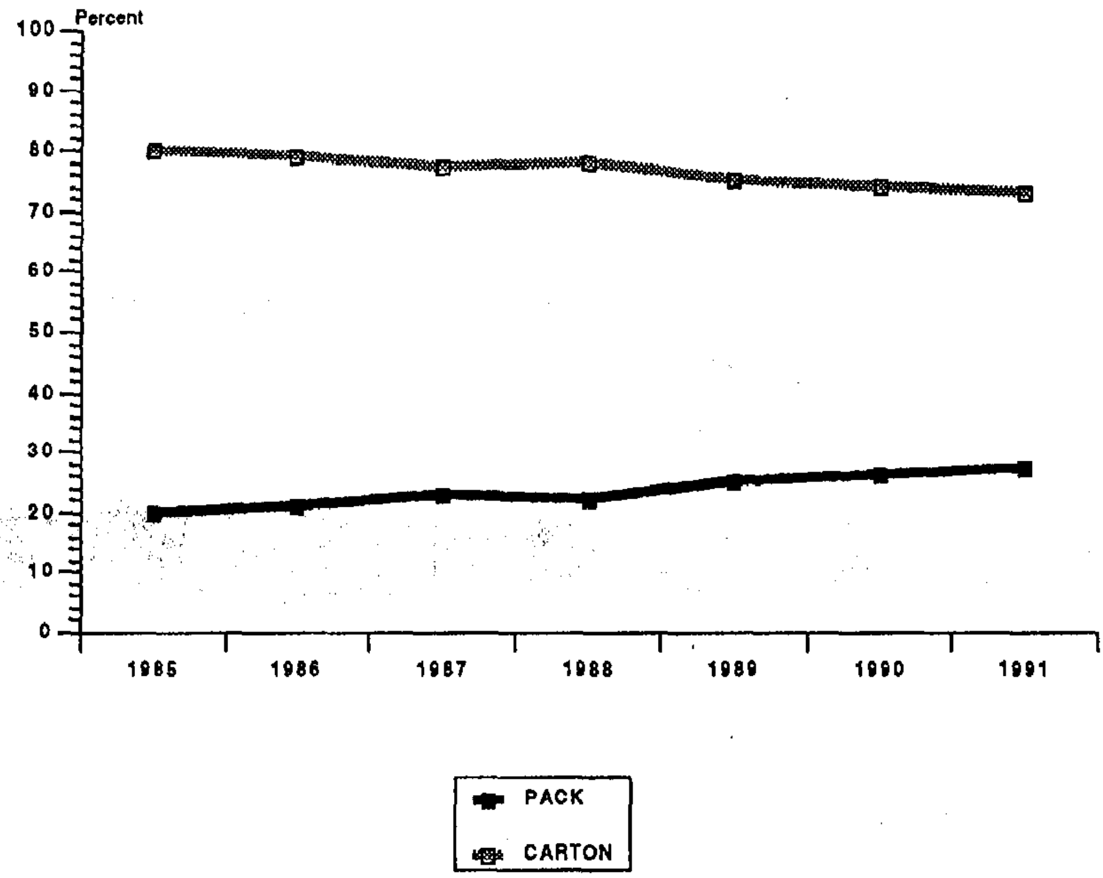
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. - SUPERMARKET CIGARETTE SALES
PACK Versus CARTON VOLUME



- THE INDUSTRY TREND DURING THE 1980's WAS TOWARD PACK SALES. THIS TREND IS EXPECTED TO CONTINUE IN THE 1990's.
- SUPERMARKETS, WHICH ACCOUNT FOR NEARLY ONE HALF OF THE INDUSTRY CARTON VOLUME, HAVE EXPERIENCED AN UPWARD TREND IN THE PROPORTION OF CIGARETTES SOLD BY THE PACK.
- CURRENTLY, 27% OF A SUPERMARKET'S TOTAL VOLUME IS PURCHASED BY THE PACK.
- PACK/CARTON RATIOS IN SUPERMARKETS DIFFER WIDELY BY MARKET AND PRICE TIER - LARGELY DEPENDENT UPON STATE TAX RATES.

SOURCE: RJR MARKETING RESEARCH

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Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

OUT-OF-STOCKS LEAD TO LOST SALES

SUPERMARKET CARTON PURCHASERS

REACTION TO USUAL BRAND STYLE NOT AVAILABLE BY THE CARTON:

68% → WILL BUY DOWN TO A PACK

17% → WILL CHOOSE TO WALK OUT OF THE STORE WITHOUT PURCHASING CIGARETTES

IF A SUPERMARKET SHOPPER'S STORE WAS TO STOP CARRYING THEIR USUAL BRAND, 91% WOULD START GOING TO ANOTHER STORE TO PURCHASE CIGARETTES, AND 16% WOULD SWITCH STORES ALTOGETHER.

SOURCE: RJR MARKETING RESEARCH

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Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

SUPERMARKET FACT SHEET

- ANNUAL SUPERMARKET SALES OF CIGARETTES ARE $12.9 BILLION.
- THE SUPERMARKET SHARE OF TOTAL U.S. CIGARETTE VOLUME IS APPROXIMATELY 32%.
- CIGARETTES ACCOUNT FOR 3.3% OF TOTAL SUPERMARKET ALL COMMODITY VOLUME.
- THE AVERAGE SUPERMARKET SELLS APPROXIMATELY 550 CARTONS OF CIGARETTES PER WEEK.
- 73% OF THE VOLUME THAT MOVES THROUGH SUPERMARKETS IS IN CARTONS, 27% IN PACKS.
- THE AVERAGE SUPERMARKET CIGARETTE GROSS MARGIN IS 14.1% FOR TOTAL CIGARETTES, 11.2% FOR CARTONS, AND 22.1% FOR PACKS.
- SUPERMARKETS ARE HIGHLY DEVELOPED AMONG:

FEMALE SMOKERS	SAVINGS SEGMENT SMOKERS
50+ SMOKERS	ULTRA LOW TAR SMOKERS
CARTON PURCHASERS	100-120mm SMOKERS

SOURCE: RJR MARKETING RESEARCH

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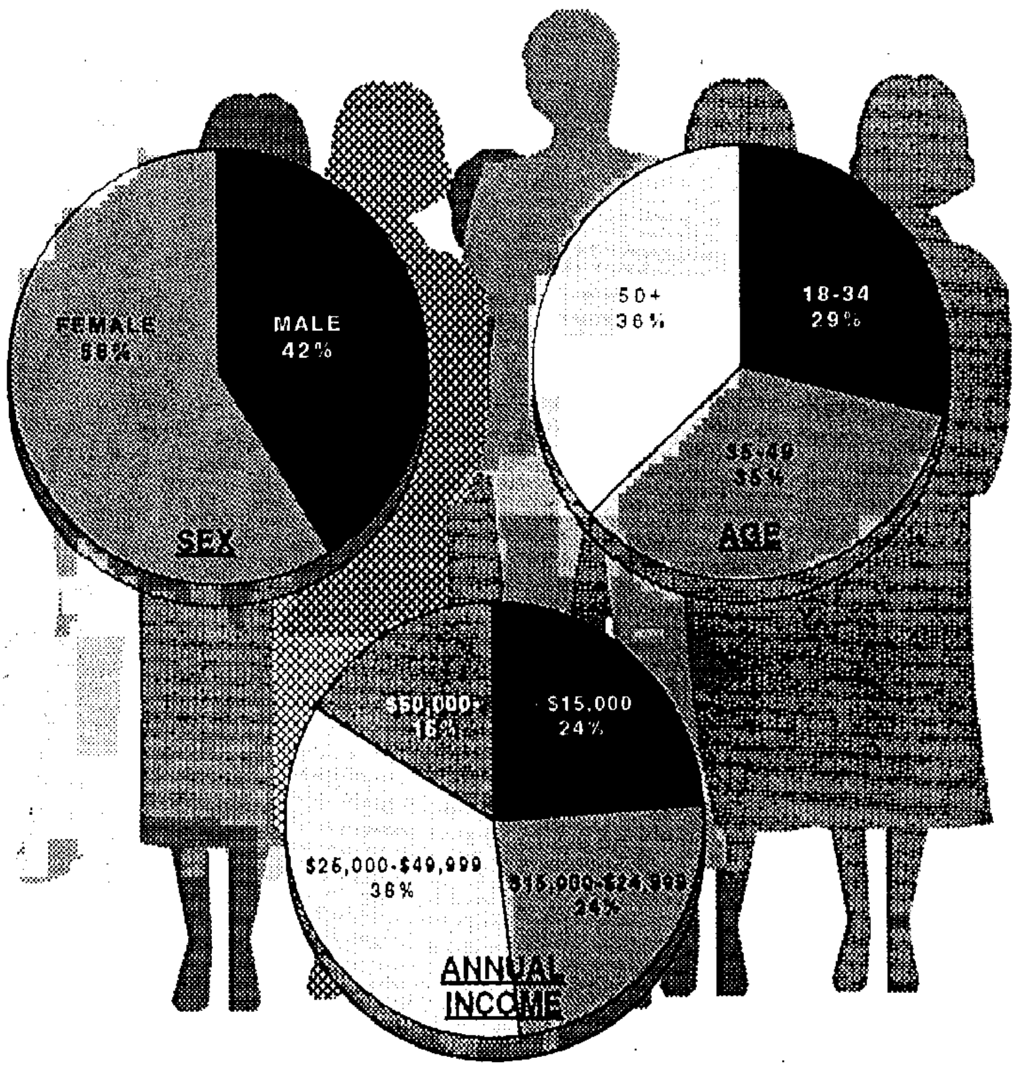
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

PROFILE OF SUPERMARKET CIGARETTE PURCHASERS



- SUPERMARKET BUYERS TEND TO BE FEMALE, OLDER (50+), AND WITH HOUSEHOLD INCOMES BETWEEN $25,000 AND $50,000 ANNUALLY.
- OVER 41% OF ALL VOLUME PURCHASED BY SMOKERS WHO ARE 50 YEARS OLD OR OLDER IS PURCHASED AT SUPERMARKETS.
- ALMOST 38% OF ALL CIGARETTE VOLUME PURCHASED BY FEMALES IS PURCHASED FROM SUPERMARKETS, WHILE NEARLY ONE FOURTH OF ALL VOLUME PURCHASED BY MALES IS BOUGHT FROM SUPERMARKETS.

SOURCE: RJR MARKETING RESEARCH

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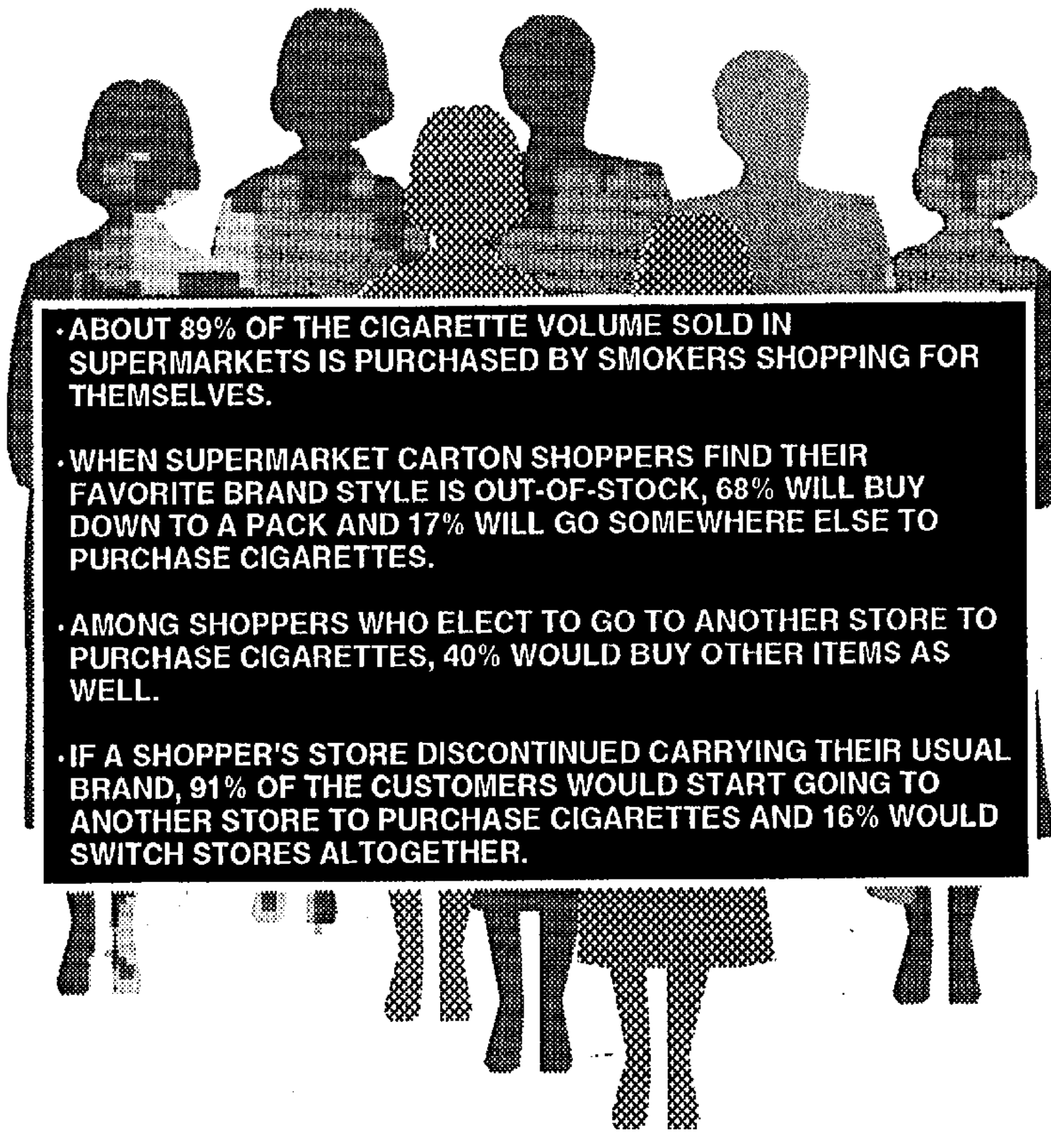
SUPERMARKET CIGARETTE BUYERS PURCHASE BEHAVIOR



SOURCE: RJR MARKETING RESEARCH

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Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

CIGARETTE SALES IN SUPERMARKETS

3.3% OF TOTAL SALES

- 1 OF EVERY 29 SALES DOLLARS
- TOTAL STORE SALES OF 1 3/4 WEEKS EACH YEAR

EQUALS COMBINED SALES OF:

- CANDY & GUM
- SPICES & EXTRACTS
- CANNED VEGETABLES
- DRIED VEGETABLES
- PICKLES & OLIVES

IMPORTANCE

- BIG SALES AND PROFIT DOLLARS PRODUCED
- IMPROPER MERCHANDISING METHODS CAN REDUCE SALES AS MUCH AS 10% - 30%*.

* RJR MERCHANDISING STUDIES

51842 7566

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

WHAT DOES THE FUTURE HOLD???

- PACKAGE SALES WILL CONTINUE TO GROW AT A FASTER RATE.
- MULTI-TIER PRICE SEGMENTATION OF SAVINGS BRANDS
- MORE IMPORTANCE OF PRICE/VALUE IN BUYING DECISION
- ALL MANUFACTURERS WILL BE LOOKING FOR MORE INTEGRATION OF IMAGE ADVERTISING AND PROMOTIONAL MESSAGES.
- INVENTORY CONTROL - A MUST

51842 7567

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

HOW DO WE CAPITALIZE ON THE FUTURE?

- ENSURE CUSTOMERS RECEIVE MORE VALUE
  - THROUGH PROMOTIONS
  - THROUGH INNOVATIVE PRICING
  - SAVINGS BRANDS
- LOCAL PROMOTIONS TO APPEAL TO THE LOCAL CUSTOMER
- PROMOTIONS CREATED FOR THE SUPERMARKET SHOPPER.
- MEET THE NEEDS OF THE ECONOMY BUYER. VALUE BRAND PROMOTION AND DISPLAY ARE IMPORTANT IN THIS AREA.

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Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

51842 7569

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

CONVENIENCE/GAS

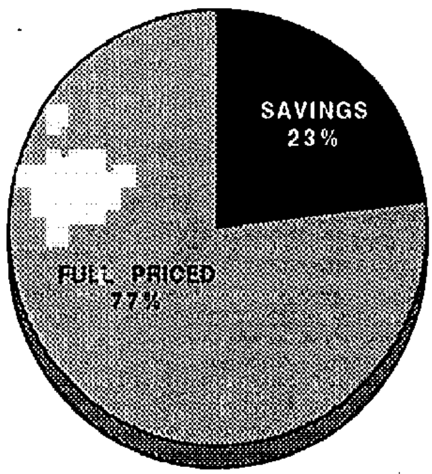
FACTS

51842 7570

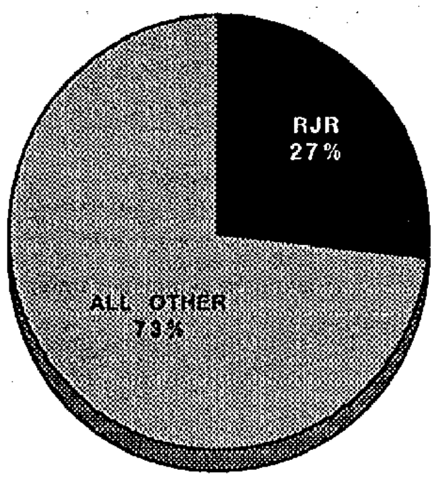
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. CONVENIENCE/GAS CHAINS FULL PRICED Versus SAVINGS

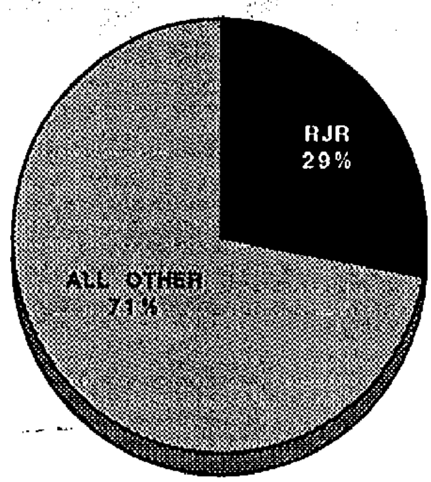
SHARE OF MARKET



SHARE OF FULL PRICED



SHARE OF SAVINGS



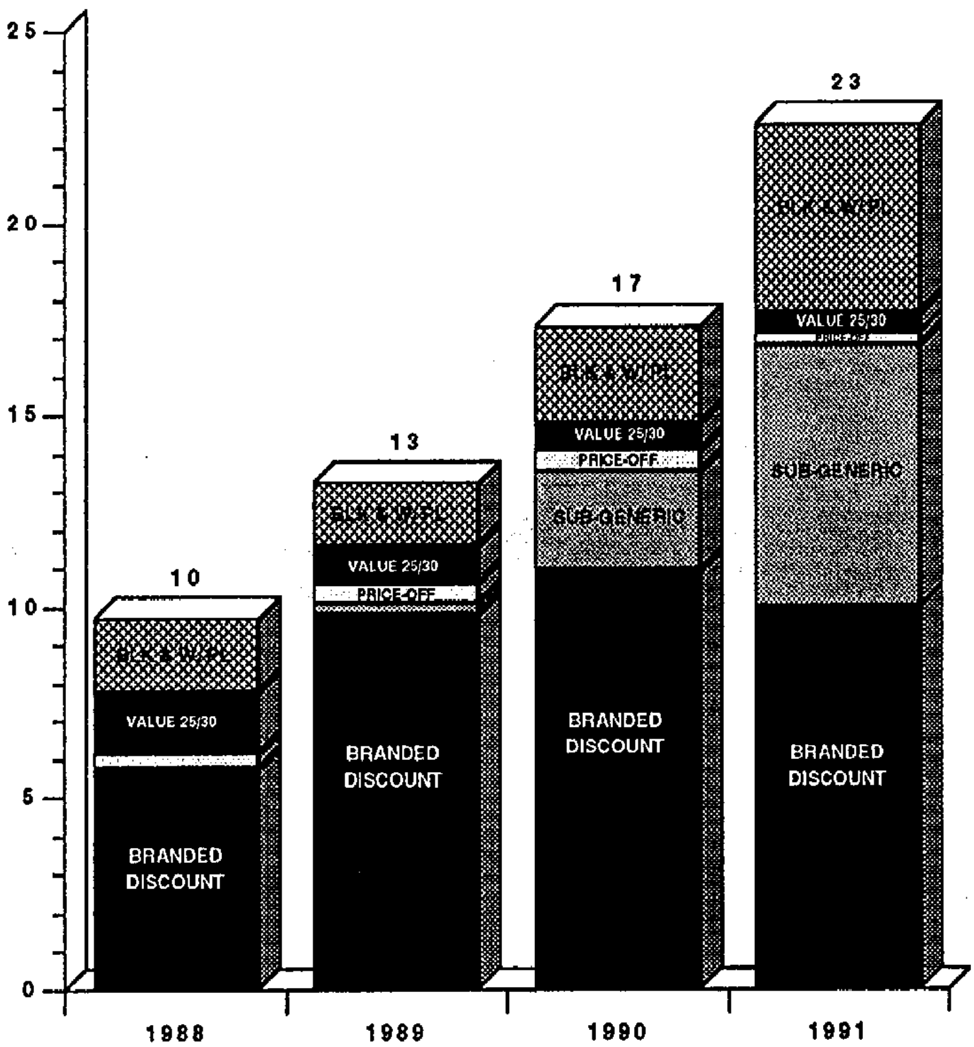
- 77% OF ALL CIGARETTES SOLD ARE FULL PRICED BRANDS AND 27% OF THOSE ARE RJR BRANDS.
- 23% OF ALL CIGARETTES SOLD ARE SAVINGS BRANDS AND 29% OF THOSE ARE RJR BRANDS.

SOURCE: A.C. NIELSEN - 1991

51842 7571

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. CONVENIENCE/GAS CHAINS SAVINGS BRANDS SHARE OF MARKET TRENDS



- THE SAVINGS CATEGORY CONTINUES TO GROW AND NOW ACCOUNTS FOR ABOUT 23% OF THE CIGARETTE BUSINESS IN CONVENIENCE/GAS STORES.

SOURCE: A.C. NIELSEN - 1991

51842 7572

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. CONVENIENCE/GAS CHAINS - TOP 20 BRAND FAMILIES

	RANK 1991	RANK 1990	RANK DIFFERENCE
MARLBORO	1	1	
WINSTON	2	2	
SALEM	3	3	
CAMEL	4	4	
KOOL	5	5	
DORAL	6	7	+1
MERIT	7	6	-1
NEWPORT	8	8	
VIRGINIA SLIMS	9	9	
B&H	10	10	
CAMBRIDGE	11	12	+1
VANTAGE	12	11	-1
P MOR BW/PL	13	28	+15
BRISTOL	14	26	+12
MONTCLAIR (GEN)	15	27	+12
KENT	16	13	-3
PALL MALL	17	14	-3
RALEIGH EX	18	35	+18
VICEROY (GEN)	19	16	-3
B&W BW/PL	20	20	

RJR HAS 5 OF THE TOP 20 BRANDS.

SOURCE: A.C. NIELSEN

51842 7573

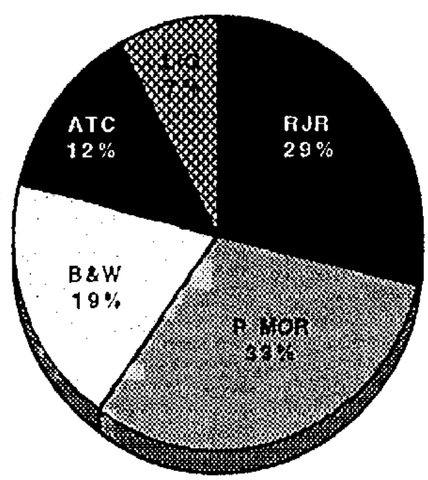
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. CONVENIENCE/GAS CHAINS SAVINGS BRANDS

TOP RANKED SAVINGS BRANDS

RANK	BRAND FAMILY	SHARE OF MARKET
1	DORAL	3.9%
2	CAMBRIDGE	2.5
3	P MOR BW/PL	1.9
4	BRISTOL	1.6
5	MONTCLAIR (GEN)	1.5
6	RALEIGH EX	1.2
7	VICEROY (GEN)	1.2
8	B&W BW/PL	1.2
9	RJR BW/PL	1.1
10	PYRAMID	0.9

COMPANY SHARE OF SAVINGS BRANDS



• DORAL IS THE #1 SAVINGS BRAND AND IS GROWING IN CONVENIENCE/GAS CHAINS.

SOURCE: A.C. NIELSEN - 1991

51842 7574

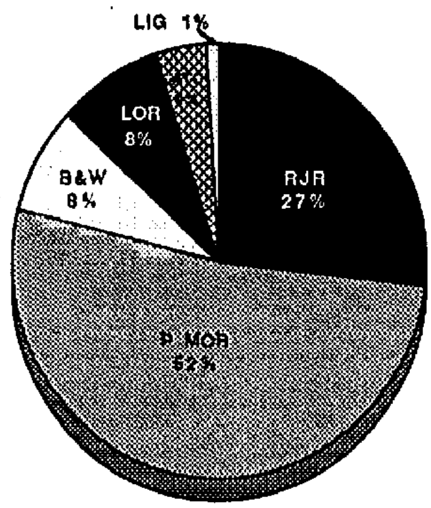
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. CONVENIENCE/GAS CHAINS FULL PRICED BRANDS

TOP RANKED FULL PRICED BRANDS

RANK	BRAND FAMILY	SHARE OF MARKET
1	MARLBORO	29.9%
2	WINSTON	7.3
3	SALEM	5.3
4	CAMEL	4.7
5	KOOL	4.5
6	MERIT	3.9
7	NEWPORT	3.9
8	VIRGINIA SLIMS	3.2
9	B&H	2.9
10	VANTAGE	2.4
11	KENT	1.4
12	PALL MALL	1.2
13	CARLTON	1.2
14	NOW	.8
15	MORE	.7

COMPANY SHARE OF FULL PRICED BRANDS



• RJR HAS 6 OF THE TOP 15 FULL PRICED BRANDS

SOURCE: A.C. NIELSEN - 1991

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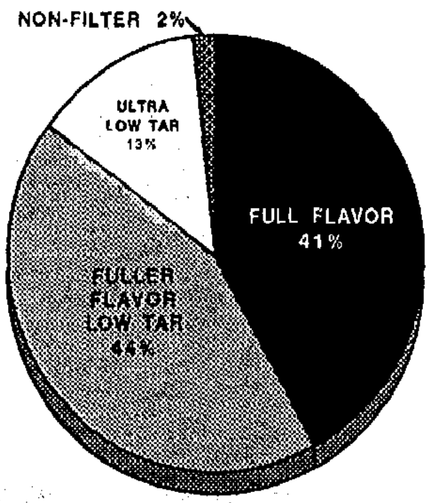
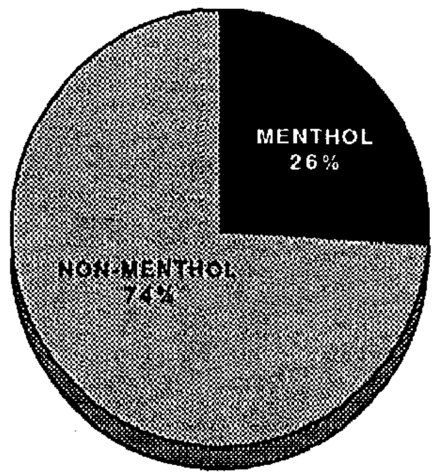
TOTAL U.S. CONVENIENCE/GAS CHAINS
MAJOR CIGARETTE CATEGORIES SHARE OF MARKET

FLAVOR



MENTHOLATION



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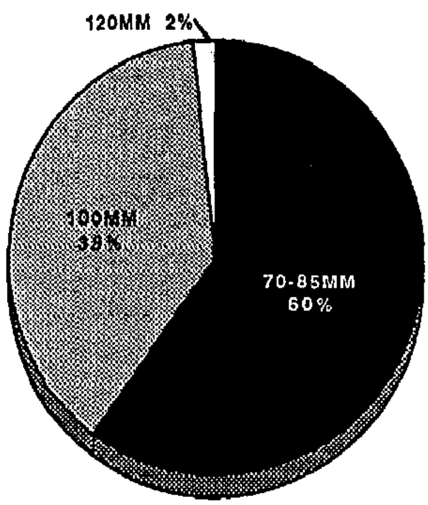
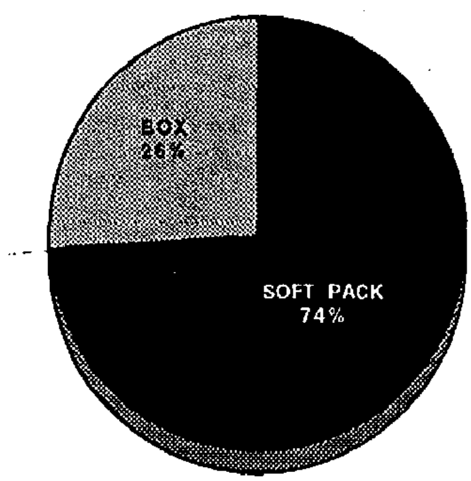


PACKAGING



SOURCE: A.C. NIELSEN - 1991

51842 7576

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

CONVENIENCE/GAS STORE FACT SHEET

- ANNUAL CONVENIENCE/GAS STORE CIGARETTE SALES ARE $14.6 BILLION.
- SHARE OF CIGARETTES SOLD BY CONVENIENCE/GAS OUTLETS IS 34%, MAKING IT THE LEADING RETAIL OUTLET FOR CIGARETTES.
- CIGARETTES ACCOUNT FOR 19.0%* OF TOTAL CONVENIENCE/GAS STORE ALL COMMODITY VOLUME.
- THE AVERAGE CONVENIENCE/GAS STORE SELLS APPROXIMATELY 145 CARTONS OF CIGARETTES PER WEEK.
- 75% OF THE VOLUME THAT MOVES THROUGH CONVENIENCE/GAS STORES IS IN PACKS, 25% IN CARTONS.
- CONVENIENCE/GAS STORE CIGARETTE GROSS MARGINS ARE THE HIGHEST OF ANY RETAIL OUTLET.
- CONVENIENCE/GAS STORES ARE HIGHLY DEVELOPED AMONG:

MALE SMOKERS	BOX PURCHASERS
25-34 SMOKERS	85mm SMOKERS
PACK PURCHASERS	FULL FLAVOR SMOKERS

* EXCLUDES GAS SALES

SOURCE: RJR MARKETING RESEARCH

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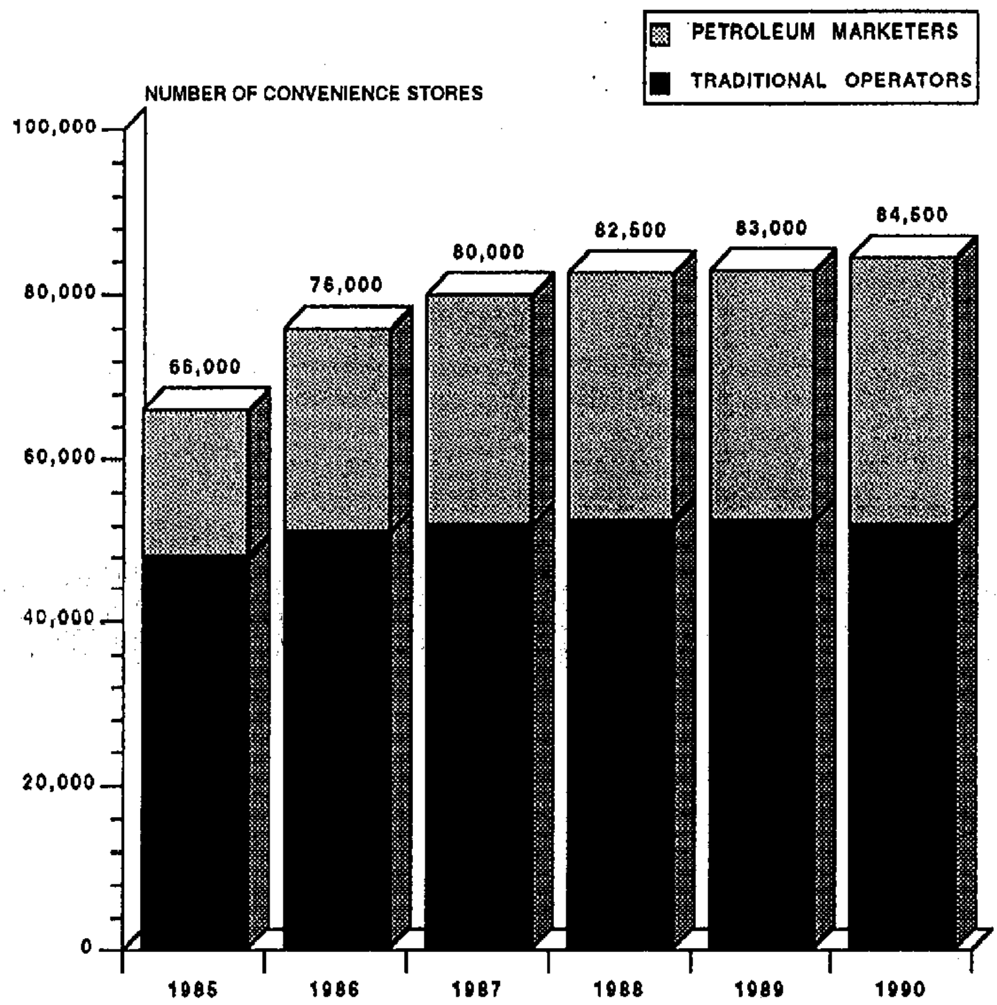
CONVENIENCE STORES



- THROUGHOUT THE 1980's PACK ACTION OUTLETS GREW IN IMPORTANCE. THIS GROWTH WILL LIKELY CONTINUE INTO THE 1990's, BUT AT A SLOWER RATE.
- THE NUMBER OF CONVENIENCE STORES INCREASED FROM 66,000 IN 1985 TO 84,500 IN 1990. GROWTH HAS COME FROM PETROLEUM MARKETERS. *

* CONVENIENCE STORE NEWS

51842 7578

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

OUT-OF-STOCKS LEAD TO LOST SALES

CONVENIENCE/GAS STORE PACK PURCHASERS

REACTION TO USUAL BRAND STYLE NOT AVAILABLE BY THE PACK:

48% → **WILL WALK OUT OF THE STORE WITHOUT PURCHASING CIGARETTES**

IF A CONVENIENCE/GAS STORE SHOPPER'S STORE WAS TO STOP CARRYING THEIR USUAL BRAND, 91% WOULD START GOING TO ANOTHER STORE TO PURCHASE CIGARETTES, AND 33% WOULD SWITCH STORES ALTOGETHER.

SOURCE: RJR MARKETING RESEARCH

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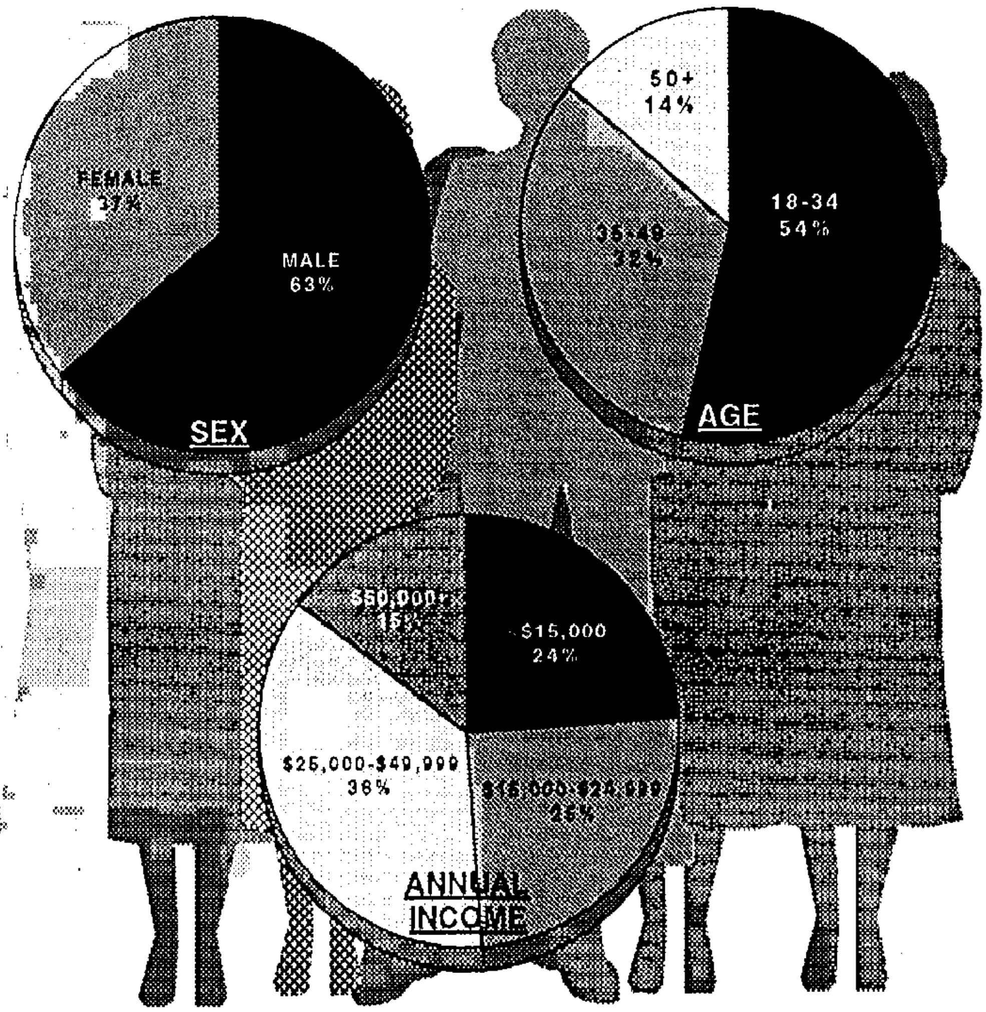
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

PROFILE OF CONVENIENCE/GAS STORE CIGARETTE PURCHASERS



- CONVENIENCE/GAS STORE BUYERS TEND TO BE MALE, AND YOUNGER ADULTS (18-34).
- OVER 47% OF ALL VOLUME PURCHASED BY SMOKERS WHO ARE 18-34 YEARS OLD IS PURCHASED AT CONVENIENCE/GAS STORES.
- ABOUT 41% OF ALL CIGARETTE VOLUME PURCHASED BY MALES IS PURCHASED FROM CONVENIENCE/GAS OUTLETS, WHILE ONLY 33% OF ALL VOLUME PURCHASED BY FEMALES IS BOUGHT FROM CONVENIENCE/GAS OUTLETS.

SOURCE: RJR MARKETING RESEARCH

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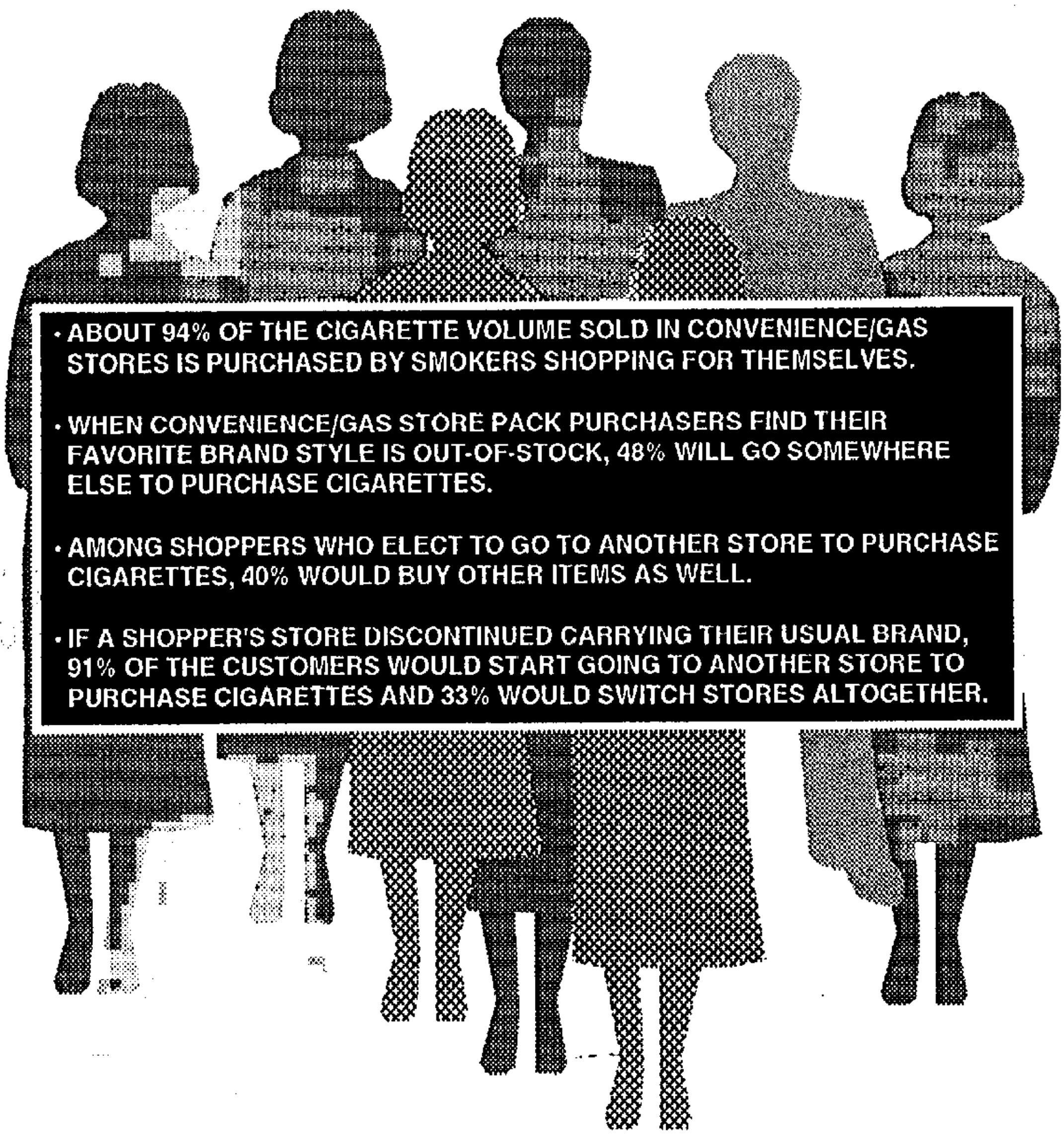
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

CONVENIENCE/GAS STORE CIGARETTE BUYERS PURCHASE BEHAVIOR



- ABOUT 94% OF THE CIGARETTE VOLUME SOLD IN CONVENIENCE/GAS STORES IS PURCHASED BY SMOKERS SHOPPING FOR THEMSELVES.
- WHEN CONVENIENCE/GAS STORE PACK PURCHASERS FIND THEIR FAVORITE BRAND STYLE IS OUT-OF-STOCK, 48% WILL GO SOMEWHERE ELSE TO PURCHASE CIGARETTES.
- AMONG SHOPPERS WHO ELECT TO GO TO ANOTHER STORE TO PURCHASE CIGARETTES, 40% WOULD BUY OTHER ITEMS AS WELL.
- IF A SHOPPER'S STORE DISCONTINUED CARRYING THEIR USUAL BRAND, 91% OF THE CUSTOMERS WOULD START GOING TO ANOTHER STORE TO PURCHASE CIGARETTES AND 33% WOULD SWITCH STORES ALTOGETHER.

SOURCE: RJR MARKETING RESEARCH

51842 7581

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

WHAT DOES THE FUTURE HOLD???

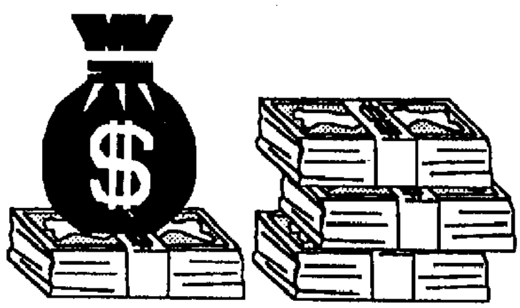
- PACKAGE SALES WILL CONTINUE TO GROW AT A FASTER RATE.
- MULTI-TIER PRICE SEGMENTATION OF SAVINGS BRANDS
- MORE IMPORTANCE OF PRICE/VALUE IN BUYING DECISION
- COUNTER SPACE AND ORGANIZATION WILL BECOME MORE IMPORTANT AND MORE VALUABLE.
- ALL MANUFACTURERS WILL BE LOOKING FOR MORE INTEGRATION OF IMAGE ADVERTISING AND PROMOTIONAL MESSAGES.
- INVENTORY CONTROL - A MUST

51842 7582

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

HOW DO WE CAPITALIZE ON THE FUTURE?

- ENSURE CUSTOMERS RECEIVE MORE VALUE
  - THROUGH PROMOTIONS
  - THROUGH INNOVATIVE PRICING
  - SAVINGS BRANDS
- LOCAL PROMOTIONS TO APPEAL TO THE LOCAL CUSTOMER
- PROMOTIONS CREATED FOR THE CONVENIENCE STORE SHOPPER, NOT A SCALED DOWN VERSION OF A SUPERMARKET PROMOTION.
- MEET THE NEEDS OF THE ECONOMY BUYER. VALUE BRAND PROMOTION AND DISPLAY ARE IMPORTANT IN THIS AREA.



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Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

SMALL FOOD STORES

51842 7584

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

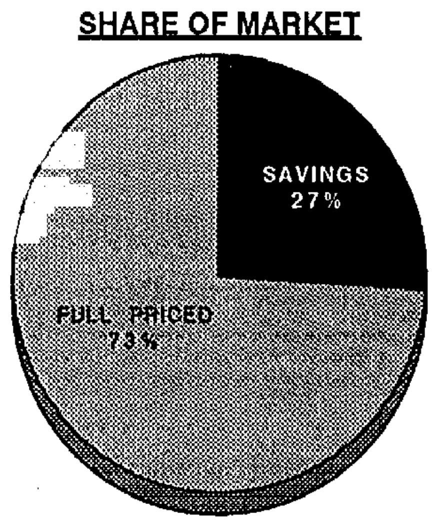
SMALL FOOD

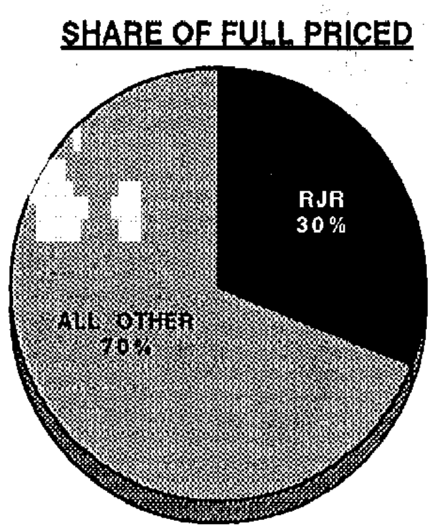
FACTS

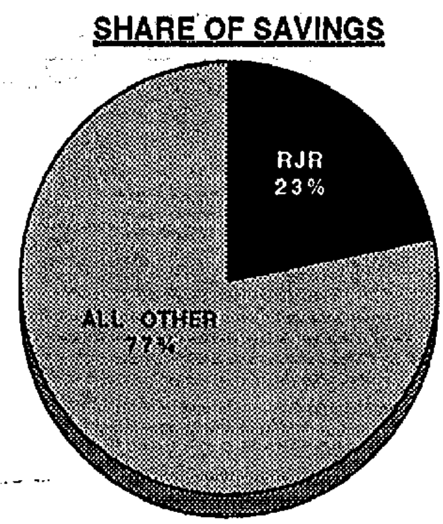
51842 7585

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. SMALL FOOD STORES
FULL PRICED Versus SAVINGS







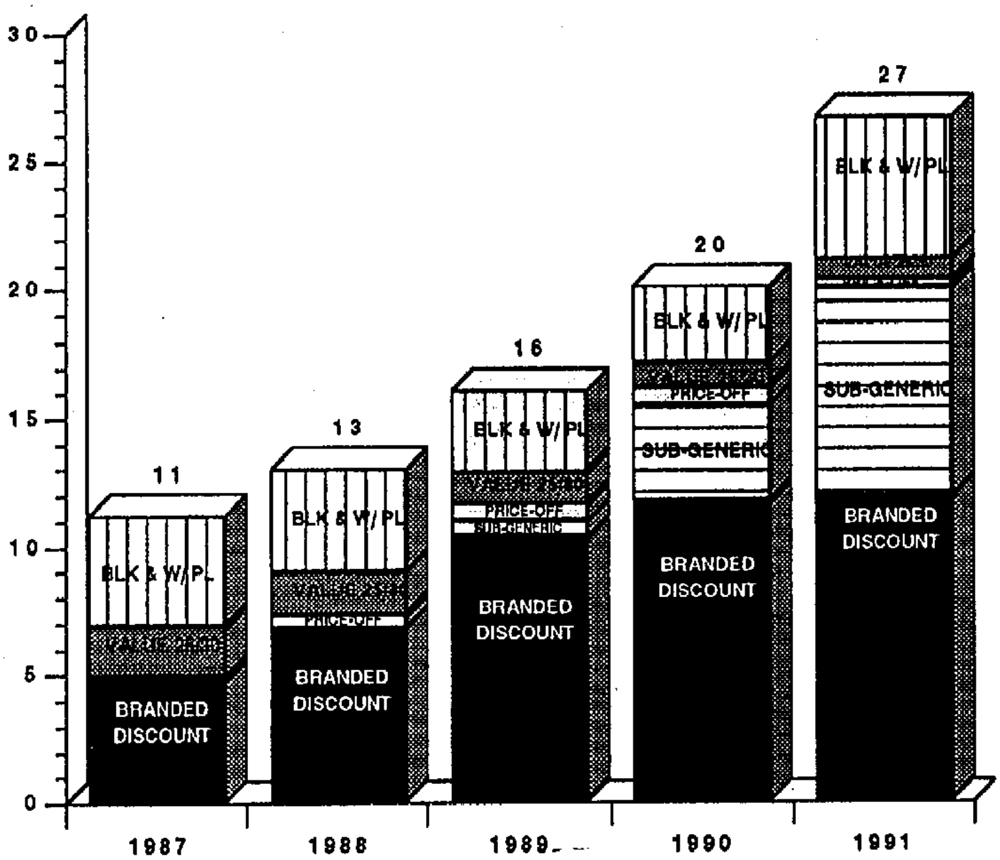
- 73% OF ALL CIGARETTES SOLD ARE FULL PRICED BRANDS AND 30% OF THOSE ARE RJR BRANDS.
- 27% OF ALL CIGARETTES SOLD ARE SAVINGS BRANDS AND 23% OF THOSE ARE RJR BRANDS.

SOURCE: A.C. NIELSEN - 1991

51842 7586

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. SMALL FOOD STORES
SAVINGS BRANDS SHARE OF MARKET TRENDS



•THE SAVINGS CATEGORY CONTINUES TO GROW AND NOW ACCOUNTS FOR ABOUT 27% OF THE CIGARETTE BUSINESS IN SMALL FOOD STORES.

51842 7587

SOURCE: A.C. NIELSEN - 1991

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. SMALL FOOD STORES - TOP 20 BRAND FAMILIES

	RANK 1991	RANK 1990	RANK DIFFERENCE
MARLBORO	1	1	
WINSTON	2	2	
SALEM	3	3	
KOOL	4	4	
DORAL	5	5	
CAMEL	6	6	
NEWPORT	7	8	+1
MERIT	8	7	-1
CAMBRIDGE	9	10	+1
VIRGINIA SLIMS	10	9	-1
BRISTOL	11	19	+8
B & H	12	12	
VANTAGE	13	11	-2
B&W BW/PL	14	15	+1
PM BW/PL	15	35	+20
PALL MALL	16	13	-3
KENT	17	14	-3
MONTCLAIR (GEN)	18	27	+9
VICEROY (GEN)	19	18	-1
RALEIGH EX	20	38	+18

RJR HAS 5 BRANDS IN THE TOP 20.

SOURCE: A.C. NIELSEN

51842 7588

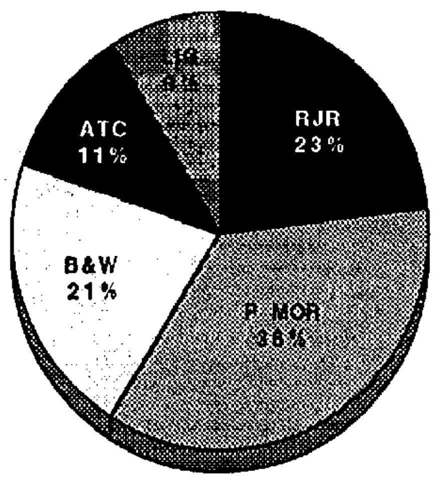
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. SMALL FOOD STORES
SAVINGS BRANDS

TOP RANKED SAVINGS BRANDS

RANK	BRAND FAMILY	SHARE OF MARKET
1	DORAL	4.5%
2	CAMBRIDGE	3.4
3	BRISTOL	2.7
4	B&W BW/PL	2.1
5	P MOR BW/PL	2.0
6	MONTCLAIR (GEN)	1.6
7	VICEROY (GEN)	1.5
8	RALEIGH EX	1.3
9	PYRAMID	1.2
10	LIG BW/PL	1.2

COMPANY SHARE OF SAVINGS BRANDS



• DORAL IS THE #1 SAVINGS BRAND.

SOURCE: A.C. NIELSEN • 1991

51842 7589

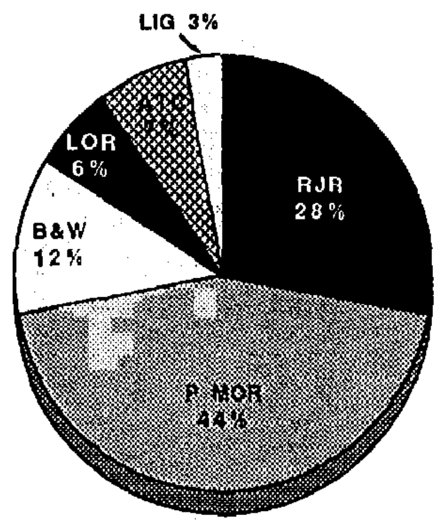
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. SMALL FOOD STORES
FULL PRICED BRANDS

TOP RANKED FULL PRICED BRANDS

RANK	BRAND FAMILY	SHARE OF MARKET
1	MARLBORO	24.4%
2	WINSTON	8.0
3	SALEM	5.4
4	KOOL	4.5
5	CAMEL	4.4
6	NEWPORT	3.5
7	MERIT	3.4
8	VIRGINIA SLIMS	2.9
9	B&H	2.5
10	VANTAGE	2.5
11	PALL MALL	1.8
12	KENT	1.7
13	CARLTON	1.3
14	TRUE	.8
15	MORE	.8

COMPANY SHARE OF FULL PRICED BRANDS



• RJR HAS 5 OF THE TOP 15 FULL PRICED BRANDS

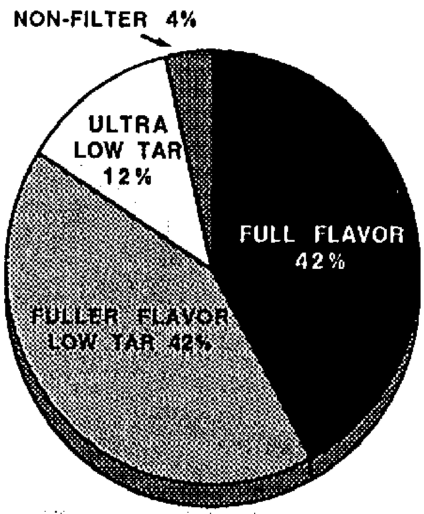
SOURCE: A.C. NIELSEN - 1991

51842 7590

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. SMALL FOOD STORES
MAJOR CIGARETTE CATEGORIES SHARE OF MARKET

FLAVOR



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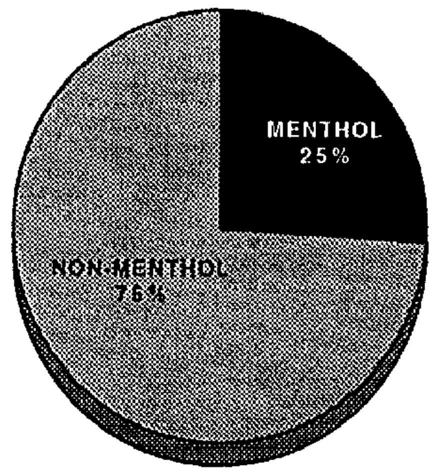
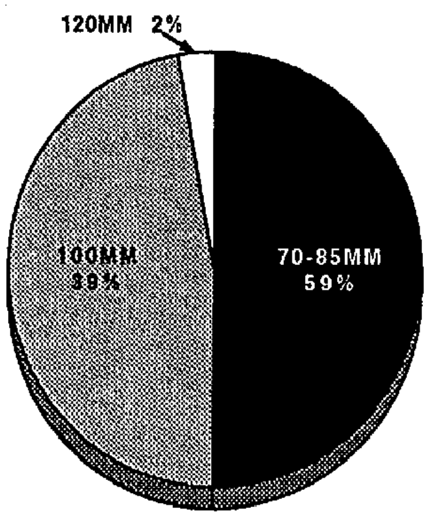
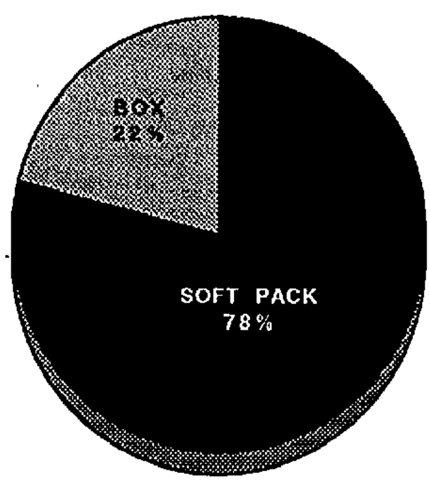


LENGTH



PACKAGING



SOURCE: A.C. NIELSEN - 1991

51842 7591

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

SMALL FOOD STORE FACT SHEET

- ANNUAL SMALL FOOD STORE SALES OF CIGARETTES ARE $3.5 BILLION.
- DESPITE A DECLINE IN STORE COUNT, SMALL FOOD STORE SHARE OF U.S. CIGARETTE VOLUME REMAINS AT ABOUT 9%.
- THE AVERAGE SMALL FOOD STORE SELLS 76 CARTONS PER WEEK.
- 43% OF THE VOLUME THAT MOVES THROUGH SMALL FOOD STORES IS IN CARTONS, 57% IN PACKS.
- THE AVERAGE SMALL FOOD STORE CIGARETTE GROSS MARGIN IS 20.3% FOR TOTAL CIGARETTES, 14.5% FOR CARTONS, AND 24.6% FOR PACKS.
- WHEN COMPARED WITH THE AVERAGE CIGARETTE BUYER, SMALL FOOD STORE PURCHASERS TEND TO HAVE LOWER HOUSEHOLD INCOMES, LESS THAN $15,000 PER YEAR.
- SMOKERS OVER AGE 50 ARE LESS INCLINED TO PURCHASE FROM SMALL FOOD STORES THAN THOSE WHO ARE UNDER 50.

SOURCE: RJR MARKETING RESEARCH

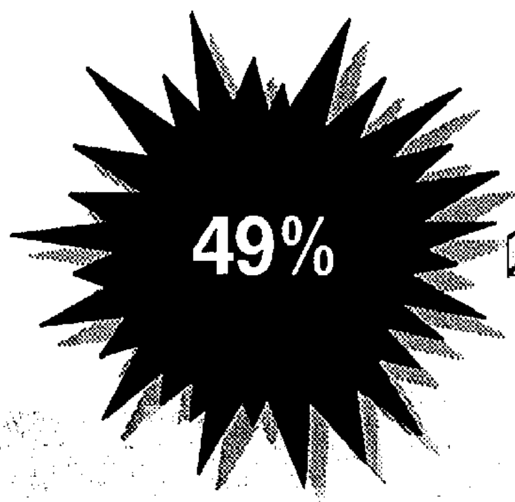
51842 7592

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

<u>OUT-OF-STOCKS LEAD TO LOST SALES</u>

SMALL FOOD STORE PACK PURCHASERS

<u>REACTION TO USUAL BRAND STYLE NOT AVAILABLE BY THE PACK:</u>



WILL WALK OUT OF THE STORE <u>WITHOUT PURCHASING</u> CIGARETTES

IF A SMALL FOOD STORE SHOPPER'S STORE WAS TO STOP CARRYING THEIR USUAL BRAND, <u>86%</u> WOULD START GOING TO <u>ANOTHER STORE TO PURCHASE CIGARETTES, AND 19% WOULD SWITCH STORES ALTOGETHER.</u>

SOURCE: RJR MARKETING RESEARCH

51842 7593

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

WHAT DOES THE FUTURE HOLD???

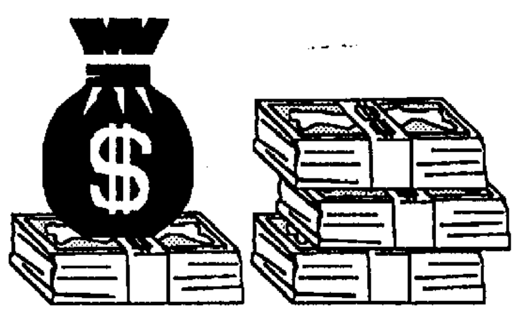
- PACKAGE SALES WILL CONTINUE TO GROW AT A FASTER RATE.
- MULTI-TIER PRICE SEGMENTATION OF SAVINGS BRANDS
- MORE IMPORTANCE OF PRICE/VALUE IN BUYING DECISION
- ALL MANUFACTURERS WILL BE LOOKING FOR MORE INTEGRATION OF IMAGE ADVERTISING AND PROMOTIONAL MESSAGES.
- INVENTORY CONTROL - A MUST

51842 7594

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

HOW DO WE CAPITALIZE ON THE FUTURE?

- ENSURE CUSTOMERS RECEIVE MORE VALUE
  - THROUGH PROMOTIONS
  - THROUGH INNOVATIVE PRICING
  - SAVINGS BRANDS
- LOCAL PROMOTIONS TO APPEAL TO THE LOCAL CUSTOMER
- PROMOTIONS CREATED FOR THE SMALL FOOD STORE SHOPPER.
- MEET THE NEEDS OF THE ECONOMY BUYER. VALUE BRAND PROMOTION AND DISPLAY ARE IMPORTANT IN THIS AREA.



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Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

DRUG STORES

51842 7596

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

DRUG STORE

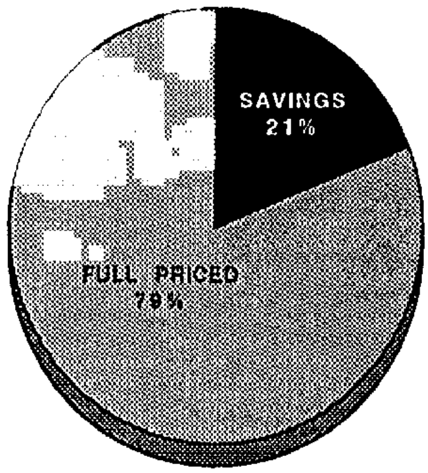
FACTS

51842 7597

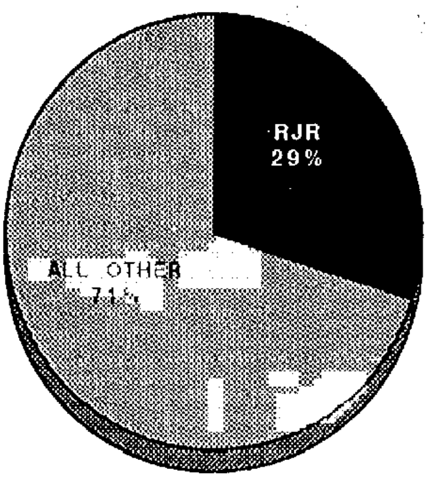
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. DRUG STORES
FULL PRICED Versus SAVINGS

SHARE OF MARKET



SHARE OF FULL PRICED



SHARE OF BRANDED SAVINGS

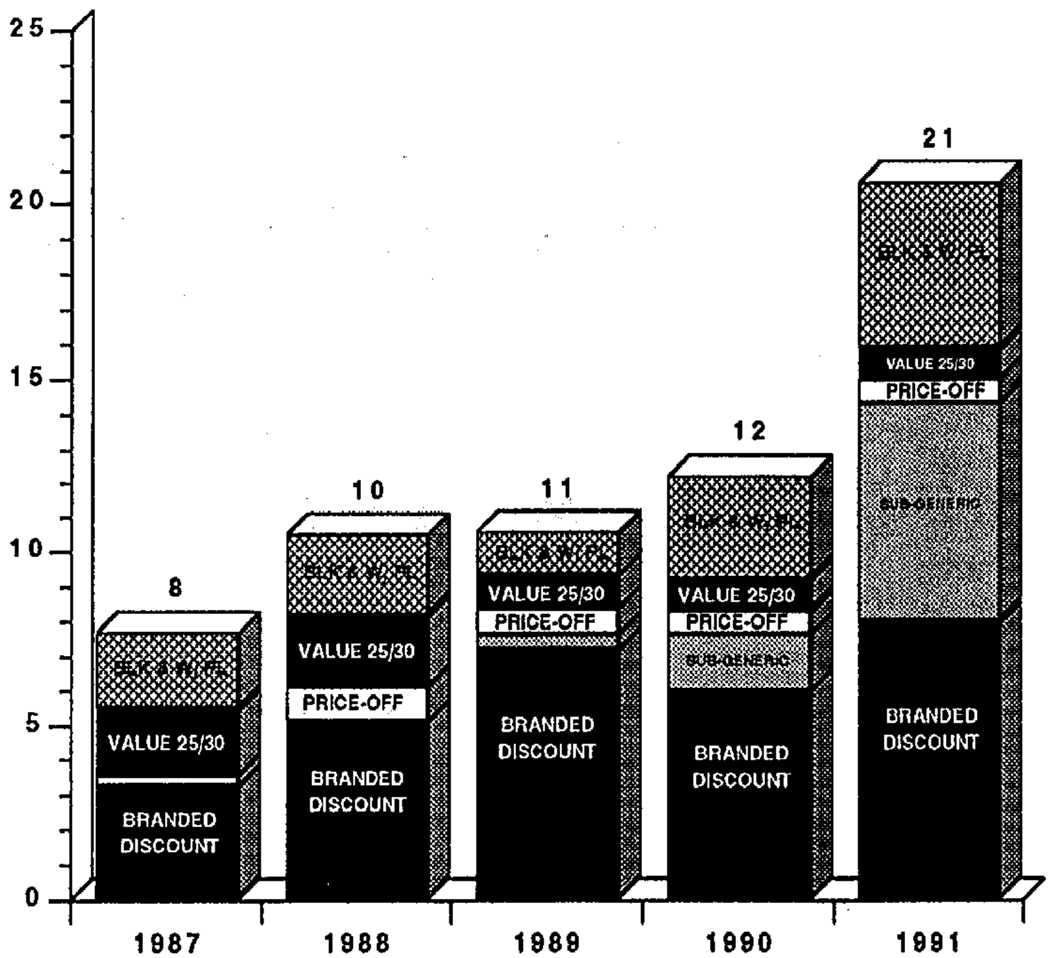
- 79% OF ALL CIGARETTES SOLD ARE FULL PRICED BRANDS AND 29% OF THOSE ARE RJR BRANDS.
- 21% OF ALL CIGARETTES SOLD ARE SAVINGS BRANDS (INCLUDING BW/PL) AND 25% OF THOSE ARE RJR BRANDED CIGARETTES.

SOURCE: RJR MARKETING RESEARCH 1991

51842 7598

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. DRUG STORES
SAVINGS BRANDS SHARE OF MARKET TRENDS



• THE SAVINGS CATEGORY CONTINUES TO GROW AND NOW ACCOUNTS FOR ABOUT 21% OF THE CIGARETTE BUSINESS IN DRUG STORES.

SOURCE: RJR MARKETING RESEARCH

51842 7599

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. DRUG STORES - TOP 20 BRAND FAMILIES

	RANK 1991	RANK 1990	RANK DIFFERENCE
MARLBORO	1	1	
SALEM	2	3	+1
WINSTON	3	2	-1
TOTAL BW/PL	4	12	+8
MERIT	5	4	-1
B&H	6	7	+1
VIRGINIA SLIMS	7	11	+4
KOOL	8	5	-3
DORAL	9	13	+4
NEWPORT	10	9	-1
KENT	11	10	-1
CAMEL	12	8	-4
CAMBRIDGE	13	25	+12
CARLTON	14	15	+1
PALL MALL	15	6	-9
VANTAGE	16	14	-2
NOW	17	23	+6
TRUF	18	18	
PARLIAMENT	19	19	
MISTY SLIM	20	41	+21

RJR HAS 6 BRANDS IN THE TOP 20.

SOURCE: RJR MARKETING RESEARCH

51842 7600

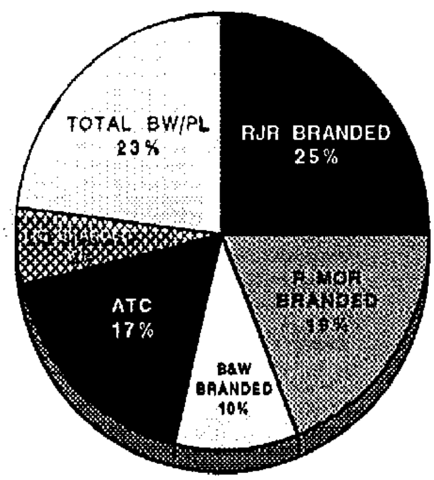
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. DRUG STORES
SAVINGS BRANDS

TOP RANKED SAVINGS BRANDS

RANK	BRAND FAMILY	SHARE OF MARKET
1	TOTAL BW/PL	4.2%
2	DORAL	3.3
3	CAMBRIDGE	2.6
4	MISTY SLIM	1.4
5	VICEROY (GEN)	1.3
6	MONTCLAIR (GEN)	1.3
7	PYRAMID	1.3
8	CENTURY	.9
9	STERLING	.7
10	BRISTOL	.7

COMPANY SHARE OF SAVINGS BRANDS



• RJR HAS 3 OF THE TOP 10 BRANDED SAVINGS BRANDS.

• DORAL IS THE #1 BRANDED SAVINGS BRAND IN DRUG STORES.

SOURCE: RJR MARKETING RESEARCH- 1991

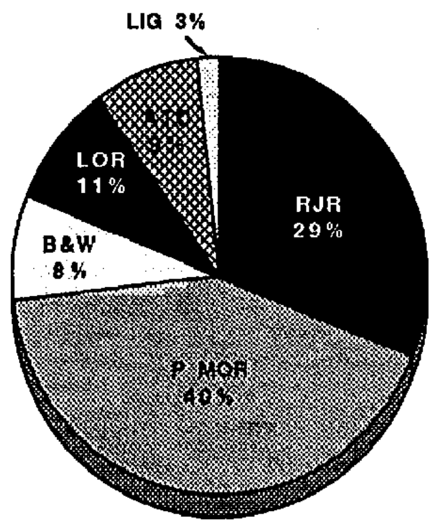
51842 7601

TOTAL U.S. DRUG STORES
FULL PRICED BRANDS

TOP RANKED FULL PRICED BRANDS

RANK	BRAND FAMILY	SHARE OF MARKET
1	MARLBORO	17.4%
2	SALEM	7.4
3	WINSTON	7.4
4	MERIT	4.4
5	B&H	4.1
6	VIRGINIA SLIMS	4.1
7	KOOL	3.7
8	NEWPORT	3.3
9	KENT	3.2
10	CAMEL	3.1
11	CARLTON	2.4
12	PALL MALL	2.2
13	VANTAGE	1.9
14	NOW	1.7
15	TRUE	1.6

COMPANY SHARE OF FULL PRICED BRANDS



• RJR HAS 5 OF THE TOP 15 FULL PRICED BRANDS

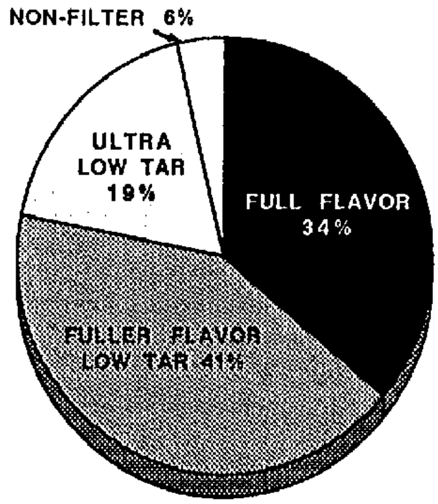
SOURCE: RJR MARKETING RESEARCH - 1991

51842 7602

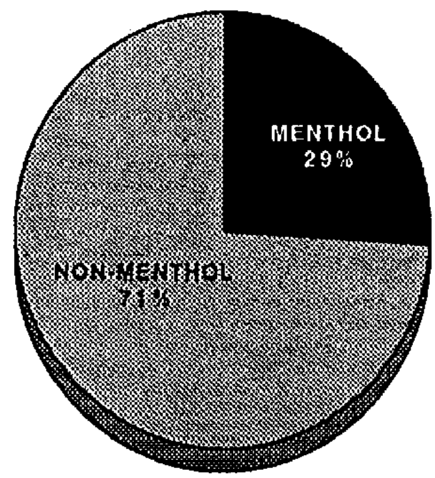
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. DRUG STORES
MAJOR CIGARETTE CATEGORIES SHARE OF MARKET

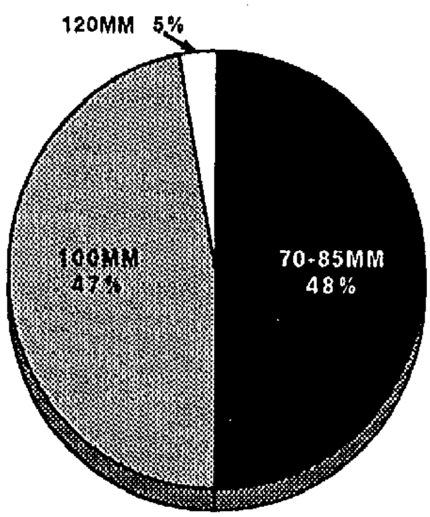
FLAVOR



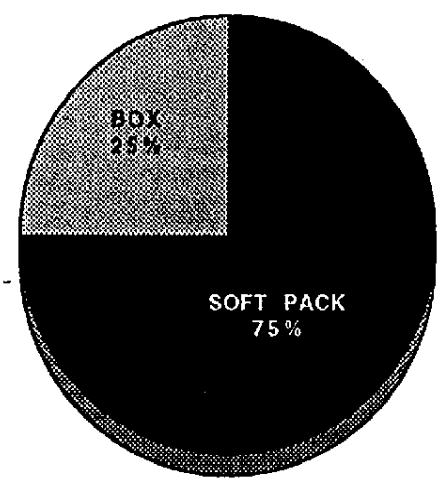
MENTHOLATION



LENGTH



PACKAGING



SOURCE: RJR MARKETING RESEARCH - 1991

51842 7603

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

DRUG STORE FACT SHEET

- ANNUAL DRUG STORE SALES OF CIGARETTES ARE $2.5 BILLION.
- SHARE OF CIGARETTES SOLD BY DRUG OUTLETS IS 6%.
- CIGARETTES ACCOUNT FOR 6.2% OF DRUG STORE ALL COMMODITY VOLUME.
- THE AVERAGE DRUG STORE SELLS APPROXIMATELY 60 CARTONS OF CIGARETTES PER WEEK.
- 62% OF THE VOLUME THAT MOVES THROUGH DRUG STORES IS IN CARTONS, 38% IN PACKS.
- DRUG STORE CIGARETTE GROSS MARGINS ARE 16.8% FOR TOTAL CIGARETTES, 23.1% FOR PACKS AND 13.0% FOR CARTONS.
- DRUG STORES ARE HIGHLY DEVELOPED AMONG:

FEMALE SMOKERS	100MM+ SMOKERS
50+ SMOKERS	ULTRA LOW TAR SMOKERS
CARTON PURCHASERS	

SOURCE: RJR MARKETING RESEARCH

51842 7604

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

OUT-OF-STOCKS LEAD TO LOST SALES

DRUG STORE CARTON PURCHASERS

REACTION TO USUAL BRAND STYLE NOT AVAILABLE BY THE CARTON:

68% → WILL BUY DOWN TO A PACK

16% → WILL CHOOSE TO WALK OUT OF THE STORE WITHOUT PURCHASING CIGARETTES

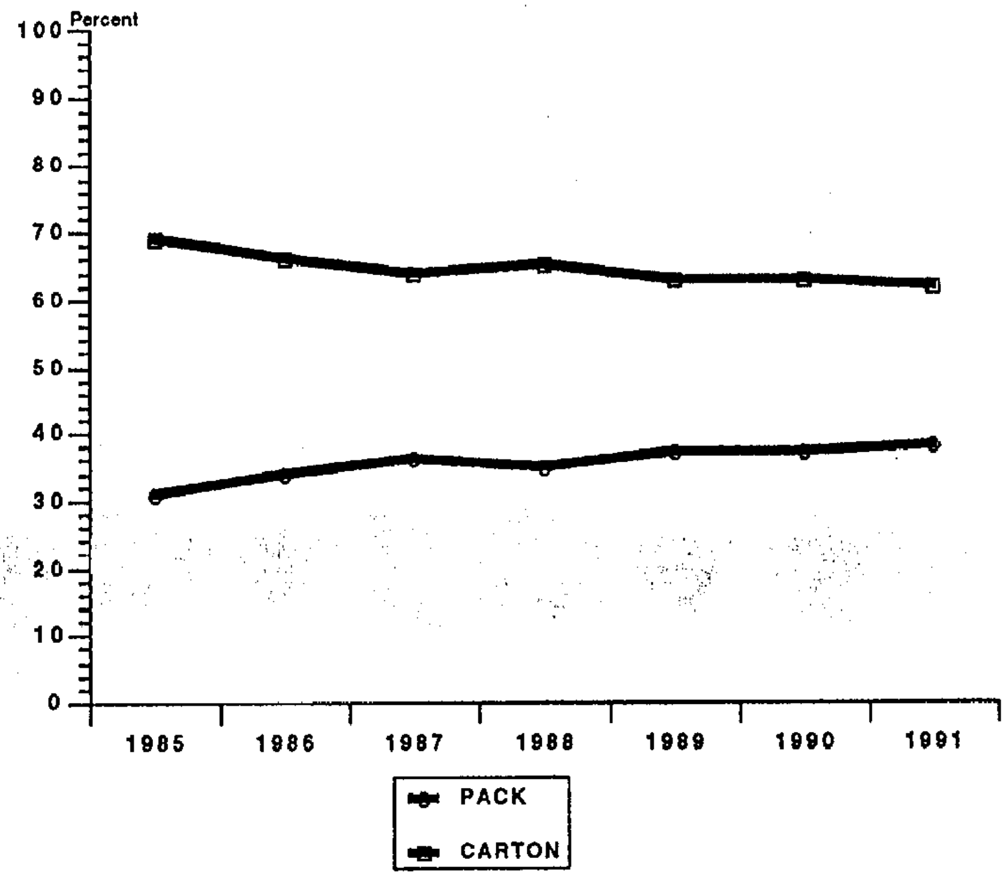
IF A DRUG STORE SHOPPER'S STORE WAS TO STOP CARRYING THEIR USUAL BRAND, 92% WOULD START GOING TO ANOTHER STORE TO PURCHASE CIGARETTES, AND 23% WOULD SWITCH STORES ALTOGETHER.

SOURCE: RJR MARKETING RESEARCH

51842 7605

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. - DRUG STORE CIGARETTE SALES PACK Versus CARTON VOLUME



- THE INDUSTRY TREND DURING THE 1980's WAS TOWARD PACK SALES. THIS TREND IS EXPECTED TO CONTINUE IN THE 1990's.
- DRUG STORES HAVE EXPERIENCED AN UPWARD TREND IN THE NUMBER OF CIGARETTES SOLD BY THE PACK.
- CURRENTLY, 38% OF A DRUG STORE'S TOTAL VOLUME IS PURCHASED BY THE PACK.

SOURCE: RJR MARKETING RESEARCH

51842 7606

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

WHAT DOES THE FUTURE HOLD???

- PACKAGE SALES WILL CONTINUE TO GROW AT A FASTER RATE.
- MULTI-TIER PRICE SEGMENTATION OF SAVINGS BRANDS
- MORE IMPORTANCE OF PRICE/VALUE IN BUYING DECISION
- ALL MANUFACTURERS WILL BE LOOKING FOR MORE INTEGRATION OF IMAGE ADVERTISING AND PROMOTIONAL MESSAGES.
- INVENTORY CONTROL - A MUST

51842 7607

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

HOW DO WE CAPITALIZE ON THE FUTURE?

- ENSURE CUSTOMERS RECEIVE MORE VALUE
  - THROUGH PROMOTIONS
  - THROUGH INNOVATIVE PRICING
  - SAVINGS BRANDS
- LOCAL PROMOTIONS TO APPEAL TO THE LOCAL CUSTOMER
- PROMOTIONS CREATED FOR THE DRUG STORE SHOPPER.
- MEET THE NEEDS OF THE ECONOMY BUYER. VALUE BRAND PROMOTION AND DISPLAY ARE IMPORTANT IN THIS AREA.

51842 7608

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

DISCOUNT STORES

51842 7609

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

DISCOUNT STORE

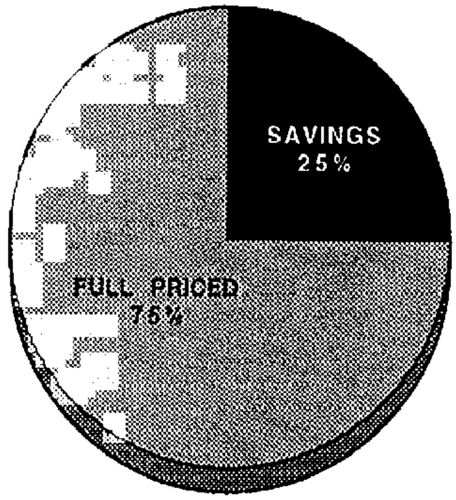
FACTS

51842 7610

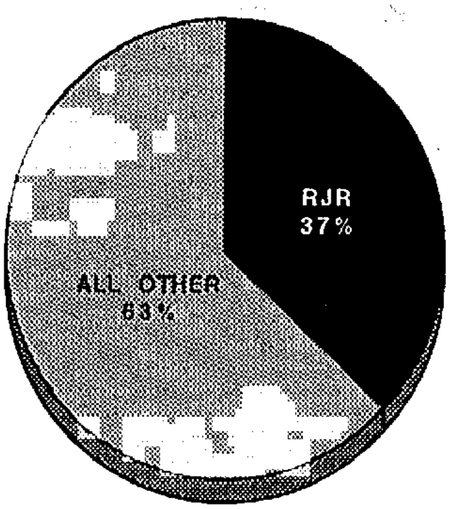
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. DISCOUNT STORES
FULL PRICED Versus SAVINGS

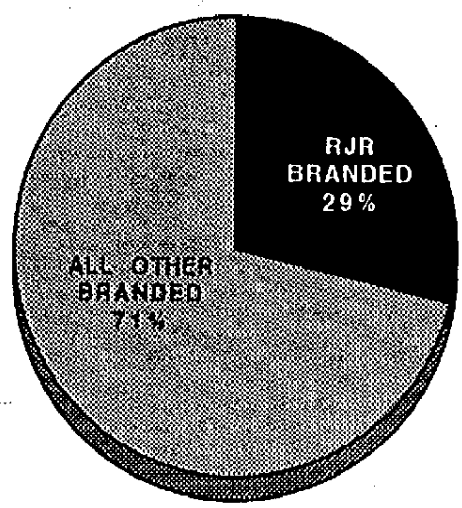
SHARE OF MARKET



SHARE OF FULL PRICED



SHARE OF BRANDED SAVINGS



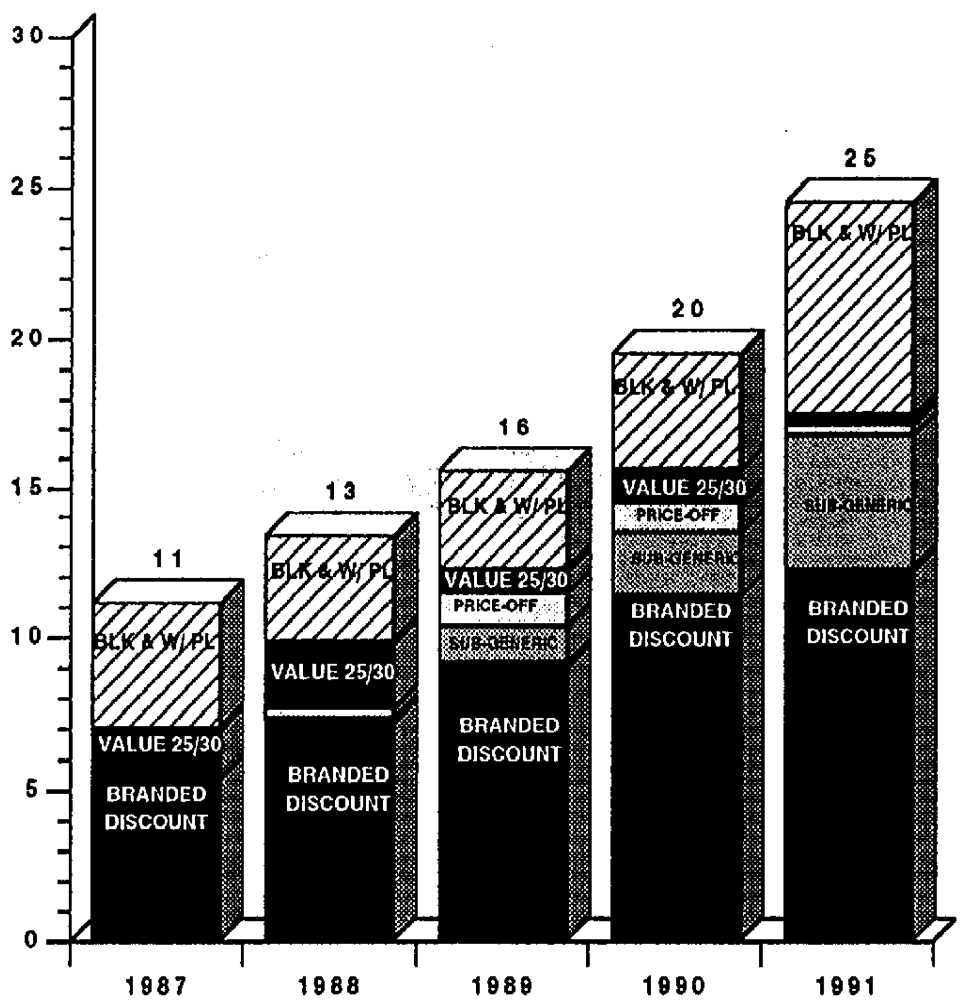
- 75% OF ALL CIGARETTES SOLD ARE FULL PRICED BRANDS AND 37% OF THOSE ARE RJR BRANDS.
- 25% OF ALL CIGARETTES SOLD ARE SAVINGS BRANDS (INCLUDING BW/PL) AND 29% OF THOSE ARE RJR BRANDED CIGARETTES.

SOURCE: RJR MARKETING RESEARCH 1991

51842 7611

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. DISCOUNT STORES
SAVINGS BRANDS SHARE OF MARKET TRENDS



• THE SAVINGS CATEGORY CONTINUES TO GROW AND NOW ACCOUNTS FOR ABOUT 25% OF THE CIGARETTE BUSINESS IN DISCOUNT STORES.

SOURCE: RJR MARKETING RESEARCH

51842 7612

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. DISCOUNT STORES - TOP 20 BRAND FAMILIES *

	RANK 1991	RANK 1990	RANK DIFFERENCE
MARLBORO	1	1	
WINSTON	2	2	
DORAL	3	4	+1
SALEM	4	3	-1
CAMEL	5	6	+1
CAMBRIDGE	6	13	+7
VANTAGE	7	12	+5
KOOL	8	8	
KENT	9	10	+1
VIRGINIA SLIMS	10	7	-3
MERIT	11	9	-2
CARLTON	12	14	+2
NEWPORT	13	16	+3
B & H	14	5	-9
MORE	15	19	+4
VICEROY (GEN)	16	23	+7
PALL MALL	17	11	-6
NOW	18	15	-3
PYRAMID	19	21	-2
TRUE	20	22	+2

RJR HAS 7 BRANDS IN THE TOP 20.

SOURCE: RJR MARKETING RESEARCH

* EXCLUDES B&W/PL

51842 7613

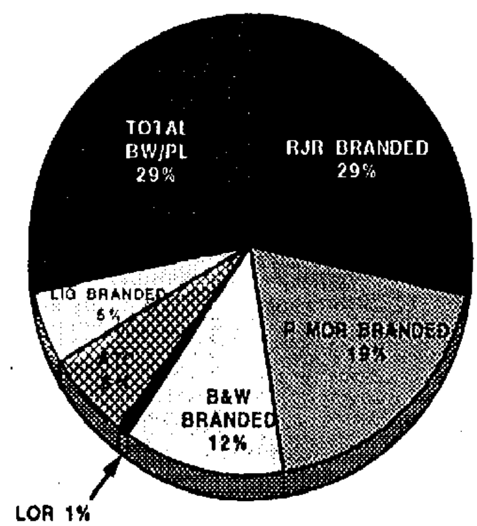
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. DISCOUNT STORES
SAVINGS BRANDS

TOP RANKED SAVINGS BRANDS

RANK	BRAND FAMILY	SHARE OF MARKET
1	TOTAL B&W/PL	7.1%
2	DORAL	6.3
3	CAMBRIDGE	3.4
4	VICEROY (GEN)	1.8
5	PYRAMID	1.2
6	MONTCLAIR (GEN)	1.1
7	BRISTOL	.9
8	RALEIGH EX	.6
9	STERLING (GEN)	.4
10	RICHLAND (20)	.3

COMPANY SHARE OF SAVINGS BRANDS



·DORAL IS THE #1 BRANDED SAVINGS BRAND.

SOURCE: RJR MARKETING RESEARCH- 1991

51842 7614

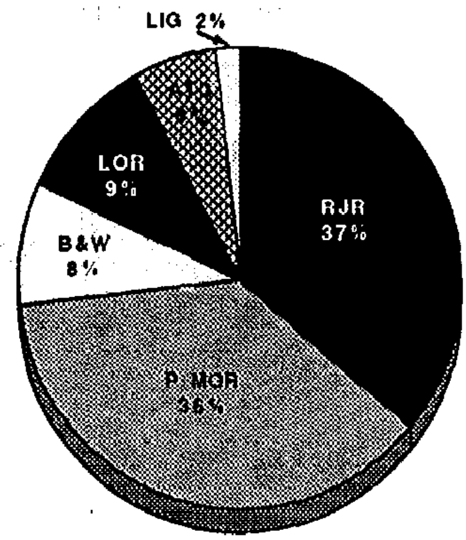
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. DISCOUNT STORES
FULL PRICED BRANDS

TOP RANKED FULL PRICED BRANDS

RANK	BRAND FAMILY	SHARE OF MARKET
1	MARLBORO	17.4%
2	WINSTON	9.7
3	SALEM	5.6
4	CAMEL	4.9
5	VANTAGE	3.4
6	KOOL	3.3
7	KENT	3.1
8	VIRGINIA SLIMS	2.8
9	MERIT	2.8
10	CARLTON	2.6
11	NEWPORT	2.6
12	B & H	2.6
13	MORE	2.3
14	PALL MALL	1.5
15	NOW	1.3

COMPANY SHARE OF FULL PRICED BRANDS



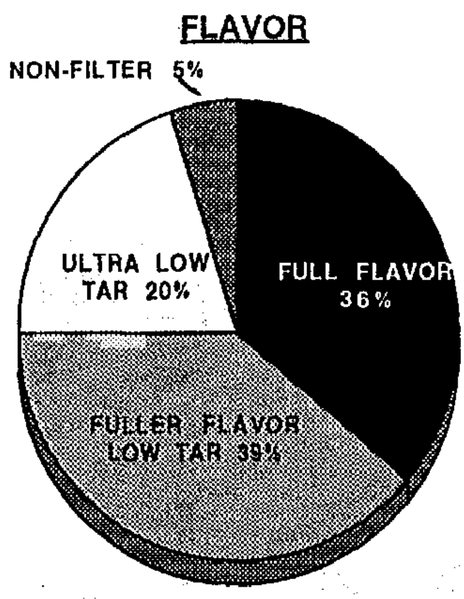
•RJR HAS 6 OF THE TOP 15 FULL PRICED BRANDS

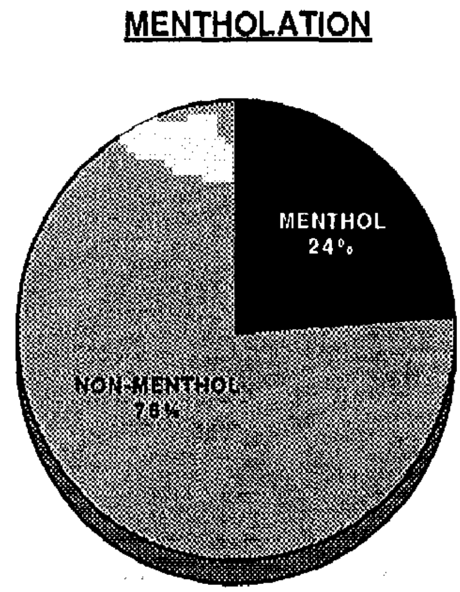
SOURCE: RJR MARKETING RESEARCH - 1991

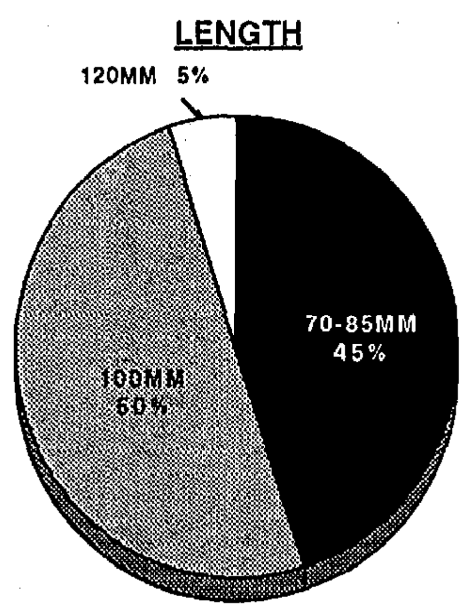
51842 7615

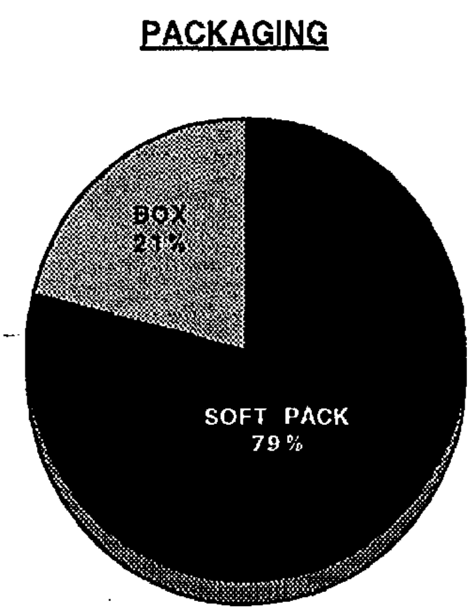
Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S. DISCOUNT STORES
MAJOR CIGARETTE CATEGORIES SHARE OF MARKET









SOURCE: RJR MARKETING RESEARCH - 1991

51842 7616

DISCOUNT STORE FACT SHEET

- ANNUAL DISCOUNT STORE SALES OF CIGARETTES ARE $1.9 BILLION.
- SHARE OF CIGARETTES SOLD BY DISCOUNT OUTLETS IS 5%.
- CIGARETTES ACCOUNT FOR 1.2% OF DISCOUNT STORE ALL COMMODITY VOLUME.
- THE AVERAGE DISCOUNT STORE SELLS APPROXIMATELY 246 CARTONS OF CIGARETTES PER WEEK.
- 88% OF THE VOLUME THAT MOVES THROUGH DISCOUNT STORES IS IN CARTONS, 12% IN PACKS.
- DISCOUNT STORE CIGARETTE GROSS MARGINS ARE 12.5% FOR TOTAL CIGARETTES, 21.6% FOR PACKS AND 11.3% FOR CARTONS.
- DISCOUNT STORES ARE HIGHLY DEVELOPED AMONG:

FEMALE SMOKERS	100MM+ SMOKERS
50+ SMOKERS	ULTRA LOW TAR SMOKERS
CARTON PURCHASERS	SAVINGS SMOKERS

SOURCE: RJR MARKETING RESEARCH

51842 7617

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

HOW DO WE CAPITALIZE ON THE FUTURE?

- ENSURE CUSTOMERS RECEIVE MORE VALUE
  - THROUGH PROMOTIONS
  - THROUGH INNOVATIVE PRICING
  - SAVINGS BRANDS
- LOCAL PROMOTIONS TO APPEAL TO THE LOCAL CUSTOMER
- PROMOTIONS CREATED FOR THE DISCOUNT STORE SHOPPER.
- MEET THE NEEDS OF THE ECONOMY BUYER. VALUE BRAND PROMOTION AND DISPLAY ARE IMPORTANT IN THIS AREA.

51842 7618

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

WHAT DOES THE FUTURE HOLD???

- PACKAGE SALES WILL CONTINUE TO GROW AT A FASTER RATE.
- MULTI-TIER PRICE SEGMENTATION OF SAVINGS BRANDS
- MORE IMPORTANCE OF PRICE/VALUE IN BUYING DECISION
- ALL MANUFACTURERS WILL BE LOOKING FOR MORE INTEGRATION OF IMAGE ADVERTISING AND PROMOTIONAL MESSAGES.
- INVENTORY CONTROL - A MUST

51842 7619

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

OUT-OF-STOCKS LEAD TO LOST SALES

DISCOUNT STORE CARTON PURCHASERS

REACTION TO USUAL BRAND STYLE NOT AVAILABLE BY THE CARTON:

61% WILL BUY DOWN TO A PACK

17% WILL CHOOSE TO WALK OUT OF THE STORE WITHOUT PURCHASING CIGARETTES

IF A DISCOUNT STORE SHOPPER'S STORE WAS TO STOP CARRYING THEIR USUAL BRAND, 89% WOULD START GOING TO ANOTHER STORE TO PURCHASE CIGARETTES, AND 20% WOULD SWITCH STORES ALTOGETHER.

51842 7620

SOURCE: RJR MARKETING RESEARCH

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

APPENDIX

51842 7621

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

APPENDIX

51842 7622

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

APPENDIX

I. OUTLET SHARE OF CIGARETTE VOLUME

51842 7623

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S.

OUTLET IMPORTANCE

% TOTAL INDUSTRY VOLUME

	1988	1989	1990 (Mid-Year)
Supermarkets	36%	35%	34%
Convenience Stores	19	20	20
Small Food Stores	9	10	9
Total Food	64	64	63
Service Stations	11	11	12
Drug Stores	7	6	7
Discount Stores	4	4	5
Liquor Stores	3	2	2
Military	2	2	3
Other*	9	10	8
Total Convenience/Gas	30	31	32

*Department Store, Restaurant/Deli Bar, Newsstand/Tobacco Shop, etc.

Source: RJR Purchase Pattern Reports

51842 7624

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

APPENDIX

II. OUTLET VOLUME SOLD

51842 7625

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S.
OUTLET CIGARETTE VOLUME
BILLIONS PER AVERAGE WEEK

	1988	1989	1990
Supermarkets	3.85	3.57	3.38
Convenience Stores	2.02	2.08	2.01
Small Food Stores	.98	.96	.89
Total Food	6.85	6.61	6.28
Service Stations	1.14	1.14	1.15
Drug Stores	.74	.64	.65
Discount Stores	.43	.42	.45
Liquor Stores	.27	.21	.24
Other	1.28	1.21	1.21
Total	10.71	10.23	9.98

Source: RJR Price Surveys and Consumer Trend Reports

51842 7626

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

CIGARETTE RETAIL DOLLAR SALES

($ BILLIONS)

	1988	1989	1990
Supermarkets	$11.5	$11.9	$12.4
Convenience Stores	6.8	7.8	8.1
Small Food Stores	3.1	3.4	3.5
Total Food	21.4	23.1	24.0
Service Stations	3.6	4.1	4.5
Drug Stores	2.3	2.2	2.4
Discount Stores	1.2	1.4	1.6
Liquor Stores	0.9	0.8	1.0
Other	3.7	3.8	4.6
Total	33.1	35.4	38.1

Source: RJR Purchase Pattern, Consumer Trend and Price Surveys

51842 7627

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

APPENDIX

III. PACK/CARTON RATIOS

51842 7628

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S.

OUTLET PACK/CARTON RATIOS

	1988	1989	1990 (Mid-Year)
Supermarkets	22/78	25/75	26/74
Convenience Stores	72/28	70/30	74/26
Small Food Stores	56/44	52/48	62/38
Service Stations	71/29	70/30	73/27
Drug Stores	35/65	37/63	37/63
Discount Stores	13/87	15/85	12/88
Total	44/56	45/55	47/53

Source: RJR Purchase Pattern Reports

51842 7629

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S.

DEMOGRAPHIC PACK/CARTON RATIOS*

Demographic Group	1988	1989	1990 (Mid-Year)
18-24	72/28	74/26	72/28
25-34	59/41	59/41	63/37
35-49	41/59	42/58	46/54
50+	24/76	26/74	26/74
Male	47/53	49/51	50/50
Female	39/61	40/60	44/56
Total	44/56	45/55	47/53

*Percentage of volume purchased by the pack versus by the carton, by demographic group. For example, 72% of the volume purchased by 18-24 year olds in 1988 was bought by the pack.

Source: RJR Purchase Pattern Reports

51842 7630

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

APPENDIX

IV. DEMOGRAPHICS

51842 7631

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000

TOTAL U.S.

SMOKE DEMOGRAPHIC VOLUME

(% OF TOTAL VOLUME SMOKED)

Demographic Group	1988	1989	1990 (Mid-Year)
18-24	11%	11%	10%
25-34	26	26	26
35-49	34	35	35
50+	30	28	29
Male	56	56	56
Female	44	44	44

Source: RJR Purchase Pattern Reports

51842 7632

Source: https://www.industrydocuments.ucsf.edu/docs/rzbp0000